

Magmatic Resources Limited

ABN 32 615 598 322

**Interim Financial Report – For the half-year ended
31 December 2017**

Table of Contents

Corporate Directory	3
Directors' Report	4
Auditor's Independence Declaration	8
Consolidated Statement of Profit or Loss and other comprehensive income	9
Consolidated Statement of financial position	10
Consolidated Statement of changes in equity	11
Consolidated Statement of cash flows	12
Notes to the financial statements	13
Note 1: Corporate Information	13
Note 2: Summary of Significant accounting policies.....	13
Note 3: Revenue.....	14
Note 4: Expenses	14
Note 5: Current Assets – cash and cash equivalents	14
Note 6: Current Assets – trade and other receivables.....	15
Note 7: Current Assets - other	15
Note 8: Non-current Assets	15
Note 9: Non-current Assets – property, plant and equipment.....	15
Note 10: Non-current Assets – exploration and evaluation assets	16
Note 11: Current Liabilities	16
Note 12: Equity – issued capital.....	16
Note 13: Equity – reserves	17
Note 14: Contingent liabilities	17
Note 15: Events after the reporting period	17
Directors' Declaration	18
Independent Auditor's Review Report to the members	19

Magmatic Resources Limited
Corporate Directory

Board of directors

David Richardson – Managing Director
David Berrie – Non-executive Chairman
Malcolm Norris – Non-executive Director

Company Secretary

Ildiko Wowesny (appointed 1 December 2017)
Ian Hobson (resigned 1 December 2017)

Registered Office and Principal Place of Business

Level 1
11 Lucknow Place
WEST PERTH WA 6005

Share Registry

Computershare Investor Services Pty Ltd
Level 11, 172 St George's Terrace
Perth WA 6000
Tel: 1300 850 505

Auditors

BDO Audit (WA) Pty Ltd
38 Station Street
Subiaco WA 6008

Solicitors

Steinepreis Paganin
Level 4, The Read Building
16 Milligan Street
Perth WA 6000

Securities Exchange Listing

Shares in Magmatic Resources Limited are quoted on the Australian Securities Exchange under trading code MAG.

Magmatic Resources Limited
Directors' report
31 December 2017

The directors present their report, together with the financial statements, on Magmatic Resources Limited (Magmatic or the Company) and its wholly owned subsidiary, Modeling Resources Pty Ltd (Modeling), together the Group, for the period ended 31 December 2017.

Directors

The following persons were directors of the Company during the whole of the period and up to the date of this report, unless otherwise stated:

David J Richardson
David W Berrie
Malcolm Norris

Company Secretary

Ildiko Wowesny (appointed 1 December 2017)
Ian Hobson (resigned 1 December 2017)

Principal activities

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

Dividends

There were no dividends paid, recommended or declared during the current or previous financial period.

Operating results

The loss for the Group after providing for income tax amounted to \$1,015,703 (31 December 2016: \$481,797).

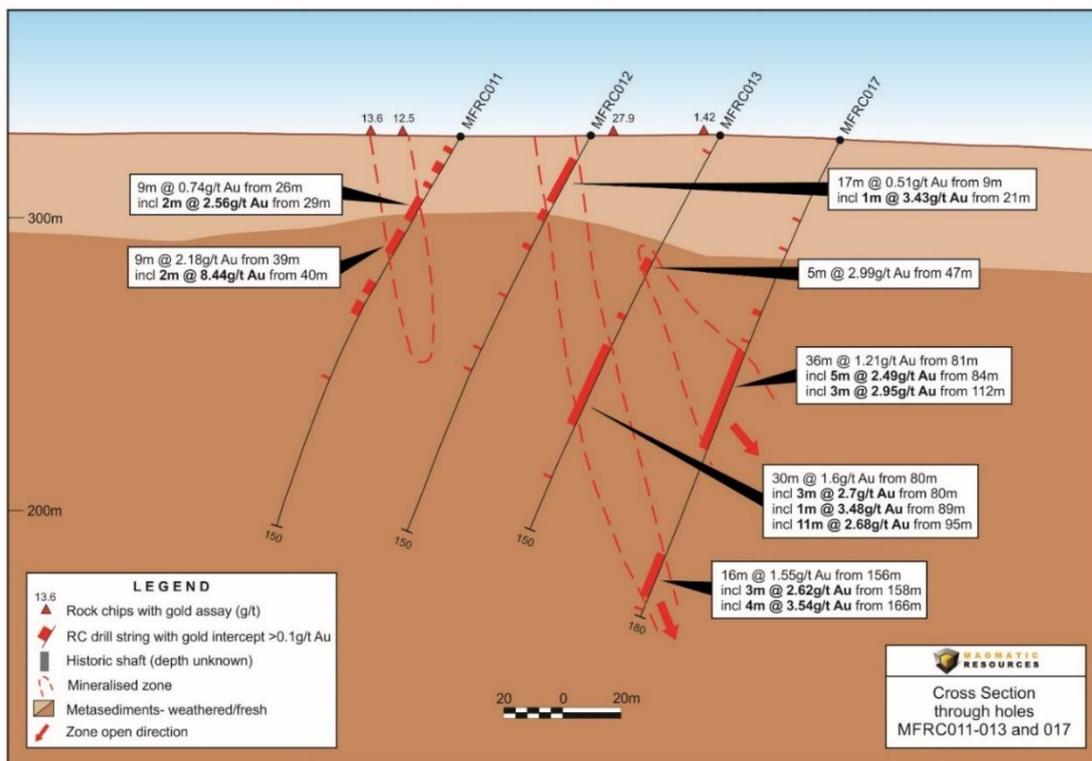
Review of operations

Magmatic Resources Ltd (the 'Company') is a Perth-based exploration company which listed on the Australian Securities Exchange in May 2017 ASX: MAG):

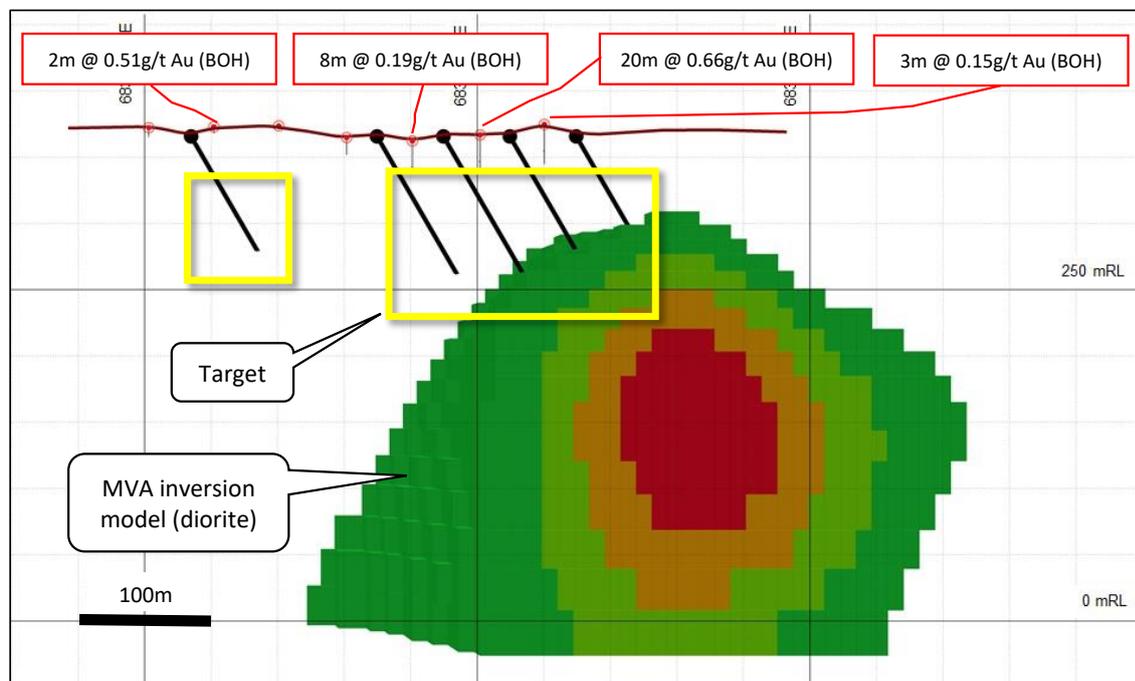
- The Company's four 100% owned projects and eight granted exploration licences cover 1,049km² in the East Lachlan, central NSW, and the company has a centrally located operations office in Orange NSW.
- The East Lachlan is host to major gold-copper mines (Figure 1) such as Cadia Valley (52Moz Au & 9.2Mt Cu), Cowal (7.8Moz Au) and Northparkes (4Moz Au & 3.7Mt Cu).
- Myall is in one of the largest volcano-intrusive complexes in the East Lachlan with known copper-gold porphyry mineralisation with potential for Cadia Valley style gold-copper porphyry mineralisation and Cowal-style epithermal gold.
- Wellington North is prospective for porphyry copper-gold and orogenic gold and includes historical Bodangora gold field (230koz @ 26g/t Au).
- Moorefield is prospective for near surface epithermal and orogenic gold, as well as skarn and VMS deposits.
- Parkes (JV with Japanese government exploration agency JOGMEC) is prospective for porphyry copper-gold, orogenic gold in the Parkes Fault Zone and epithermal gold. The project is 25km southeast of Northparkes mine
- The company's projects were purchased from Gold Fields Ltd, who have a 20% shareholding in MAG

Magmatic Resources Limited
Directors' report
31 December 2017

During the second half of 2017 the company completed AC, RC, and DD drilling programmes across all four of the projects with standout results at Carlisle Reefs RC drilling programme (Moorefield): **9m at 2.18 g/t Au**, from 39m incl. **2m at 8.44 g/t Au** (Figure) and at Lady Ilse AC programme (Wellington North): **20m at 0.66 g/t Au**, from 6m to end-of-hole (Figure).



Section looking northwest through Central Vein Zone holes MFRC0011-013 & 017



Lady Ilse drill section 6,408,300mN looking north showing previous shallow aircore holes with bottom of hole (BOH) gold intercepts, proposed RC holes (black), target areas (yellow) and MVA inversion model (coloured blocks) which shows the likely sub-surface distribution of diorite. The proposed RC holes are targeting gold mineralisation on the margin of the diorite.

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the Group during the reporting period.

Matters subsequent to the end of the period

No matter or circumstance has arisen since 31 December 2017 that has significantly affected, or may significantly affect the company's operations, the results of those operations, or the company's state of affairs in future financial periods.

Environmental regulation

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.

Shares issued on the exercise of options

There were no ordinary shares of the Company issued on the exercise of options during the period ended 31 December 2017 and up to the date of this report.

Indemnity and insurance of auditor

The Company has not, during or since the end of the period, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor.

During the financial period, the Company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

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

On behalf of the directors



David Richardson
Director

12 March 2018
Perth

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

As lead auditor for the review of Magmatic Resources Limited for the half-year ended 31 December 2017, I declare that, to the best of my knowledge and belief, there have been:

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

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



Neil Smith

Director

BDO Audit (WA) Pty Ltd

Perth, 12 March 2018

Magmatic Resources Limited
Consolidated Statement of Profit or Loss and other comprehensive income
For the Half-year ended 31 December 2017

	Note	31 Dec 2017 \$	31 Dec 2016 \$
Revenue			
Other income	3	97,994	753
Expenses			
Corporate and administrative expenses	4	(416,143)	(367,171)
Exploration and evaluation expenses	4	(697,554)	(74,183)
Finance expenses		-	(41,196)
		<u> </u>	<u> </u>
Loss before income tax expense		(1,015,703)	(481,797)
Income tax expense		-	-
		<u> </u>	<u> </u>
Loss after income tax expense for the half year attributable to the owners of Magmatic Resources Limited		(1,015,703)	(481,797)
		<u> </u>	<u> </u>
Other comprehensive income for the period, net of tax		-	-
		<u> </u>	<u> </u>
Loss after income tax expense for the half year attributable to the owners of Magmatic Resources Limited		(1,015,703)	(481,797)
		<u> </u>	<u> </u>

Magmatic Resources Limited
Consolidated Statement of financial position
31 December 2017

	Note	31 Dec 2017 \$	30 Jun 2017 \$
Assets			
Current assets			
Cash and cash equivalents	5	2,177,939	3,080,365
Trade and other receivables	6	145,283	84,737
Other	7	26,796	-
Total current assets		<u>2,350,018</u>	<u>3,165,102</u>
Non-current assets			
Security bonds	8	101,300	71,300
Property, plant & equipment	9	94,484	44,531
Exploration and evaluation assets	10	1,368,350	1,368,350
Total non-current assets		<u>1,564,134</u>	<u>1,484,181</u>
Total assets		<u>3,914,152</u>	<u>4,649,283</u>
Liabilities			
Current liabilities			
Trade and other payables	11	617,922	387,350
Total liabilities		<u>617,922</u>	<u>387,350</u>
Net assets		<u>3,296,230</u>	<u>4,261,933</u>
Equity			
Issued capital		3,813,182	3,763,182
Reserves		4,668,703	4,668,703
Retained losses		(5,185,655)	(4,169,952)
Total equity		<u>3,296,230</u>	<u>4,261,933</u>

Magmatic Resources Limited
Consolidated Statement of changes in equity
For the Half-year ended 31 December 2017

	Issued Capital	Reserves	Retained profits/ (losses)	Total equity
	\$	\$	\$	\$
Balance at 1 July 2016	250	-	(373,233)	(372,983)
Loss after income tax expense for the period	-	-	(481,798)	(481,798)
Other comprehensive income for the period, net of tax	-	-	-	-
Total comprehensive loss for the period	-	-	(481,798)	(481,798)
Transactions with owners recorded directly in equity				
Issue of ordinary shares	-	250	-	250
Total transactions with owners recorded directly in equity	-	-	-	-
Balance at 31 December 2016	250	250	(855,031)	(854,531)
	Issued Capital	Reserves	Retained profits/ (losses)	Total Equity
	\$	\$	\$	\$
Balance at 1 July 2017	3,763,182	4,668,703	(4,169,952)	4,261,933
Loss after income tax expense for the period	-	-	(1,015,703)	(1,015,703)
Other comprehensive income for the period, net of tax	-	-	-	-
Total comprehensive loss for the period	-	-	(1,015,703)	(1,015,703)
Transactions with owners recorded directly in equity				
Issue of ordinary shares	50,000	-	-	50,000
Total transactions with owners recorded directly in equity	50,000	-	-	50,000
Balance at 31 December 2017	3,813,182	4,668,703	(5,185,655)	3,296,230

Magmatic Resources Limited
Consolidated Statement of cash flows
For the period ended 31 December 2017

	Note	31 Dec 2017 \$	31 Dec 2016 \$
Cash flows from operating activities			
Payments to suppliers and consultants		(427,253)	(269,488)
Payments for exploration expenditure		(1,016,173)	(83,066)
Interest received		7,093	-
Proceeds from earn-in partner		646,950	-
Other		(17,008)	(16,372)
		<u>(806,391)</u>	<u>(368,926)</u>
Net cash outflow from operating activities			
Cash flows from investing activities			
Payments for tenement security deposits		(30,000)	(61,300)
Payments for property, plant and equipment		(66,035)	(17,749)
		<u>(96,035)</u>	<u>(79,049)</u>
Net cash inflow from investing activities			
Cash flows from financing activities			
Proceeds from borrowings		-	98,878
Proceeds from issue of convertible notes		-	500,000
Proceeds from issue of shares		-	250
		<u>-</u>	<u>599,128</u>
Net cash inflow from financing activities			
Net (decrease) in cash and cash equivalents		(902,426)	151,153
Cash and cash equivalents at the beginning of period		<u>3,080,365</u>	<u>45,560</u>
Cash and cash equivalents at the end of the period	5	<u>2,177,939</u>	<u>196,713</u>

Note 1. Corporate Information

The condensed consolidated interim financial statements of Magmatic Resources Ltd and its subsidiaries (collectively, the "Group") for the half year ended 31 December 2017 were authorised for issue in accordance with a resolution of Directors on 12 March 2018.

Magmatic Resources is a for-profit company limited by shares, incorporated and domiciled in Australia whose shares are publicly traded on the Australian Securities Exchange. The Group's principal activity is mineral exploration.

Note 2. Significant accounting policies

(a) Basis of preparation

This condensed consolidated interim financial report for the half year reporting period ended 31 December 2017 has been prepared in accordance with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Act 2001.

The condensed consolidated interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2017 and any public announcements made by Magmatic Resources Ltd during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The accounting policies adopted in preparation of the condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 30 June 2017.

(b) Going Concern

For the year ended 31 December 2017 the entity recorded a loss of \$1,015,703 and had net cash outflows from operating activities of \$806,391.

The ability of the entity to continue as a going concern is dependent on securing additional funding through placement of additional shares to the public or to strategic investors to continue to fund its operational and exploration activities.

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

Management believe there are sufficient funds to meet the entity's working capital requirements and as at the date of this report.

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

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

Magmatic Resources Limited
Notes to the financial statements
For the Half-year ended 31 December 2017

Note 3. Revenue

	Half-year 31 December 2017 \$	Half-year 31 December 2016 \$
<i>Other revenue</i>		
Interest	7,093	753
NSW government drilling grant	48,750	-
JV management fee	42,151	-
	<u>97,994</u>	<u>753</u>

Note 4. Expenses

Loss before income tax includes the following specific expenses:

	\$	\$
<i>Salary and wages</i>	<u>208,555</u>	<u>160,851</u>
<i>Depreciation</i>		
Plant and equipment	<u>16,084</u>	<u>6,512</u>
<i>Rental expense relating to operating leases</i>		
Office lease payments	<u>22,251</u>	<u>37,205</u>
<i>Travel expenses</i>		
Flights and accommodation	<u>51,294</u>	<u>39,586</u>
<i>Exploration and evaluation expenses</i>		
Exploration expenses incurred	1,119,060	74,183
Less reimbursement from JV partner	<u>(421,506)</u>	<u>-</u>
Net exploration and evaluation expense	<u>697,554</u>	<u>74,183</u>

Note 5. Current assets - cash and cash equivalents

	31 December 2017	30 June 2017
Cash at bank	<u>2,177,939</u>	<u>3,080,365</u>
	<u><u>2,177,939</u></u>	<u><u>3,080,365</u></u>

Magmatic Resources Limited
Notes to the financial statements
For the Half-year ended 31 December 2017

Note 6. Current assets - trade and other receivables

	31 December 2017	30 June 2017
	\$	\$
Trade receivables	48,750	-
Other receivables – GST receivable	96,533	79,276
Other	-	5,461
	<u>145,283</u>	<u>84,737</u>

Note 7. Current assets – other

Prepayments	<u>26,796</u>	-
	<u>26,796</u>	-

Note 8. Non-current assets

Tenement bonds	101,300	70,000
Office bonds	-	1,300
	<u>101,300</u>	<u>71,300</u>

Note 9. Non-current assets - property, plant and equipment

Plant and equipment - at cost	129,167	63,130
Less: Accumulated depreciation	<u>(34,683)</u>	<u>(18,599)</u>
	<u>94,484</u>	<u>44,531</u>
Opening net book amount	44,531	27,533
Additions:	66,035	31,781
Disposals	-	-
Less: depreciation	<u>(16,082)</u>	<u>(14,783)</u>
Closing net book amount	<u>94,484</u>	<u>44,531</u>

Magmatic Resources Limited
Notes to the financial statements
For the Half-year ended 31 December 2017

Note 10. Non-current assets – exploration and evaluation assets

	31 December 2017 \$	30 June 2017 \$
Movement in Exploration and Evaluation Assets		
Carrying amount at beginning of period	1,368,350	50
- Additions	-	1,368,300
Carrying amount at end of period	<u>1,368,350</u>	<u>1,368,350</u>

Note 11. Current liabilities - trade and other payables

Trade creditors	223,269	108,795
Other creditors	63,065	80,260
Other creditor – to be settled as share based payment	-	50,000
GST payable	2,539	2,539
JOGMEC – Funds Received in Advance*	329,049	145,756
	<u>617,922</u>	<u>387,350</u>

*Japan Oil, Gas and Metals National Corporation (JOGMEC) can earn up to a 51% interest in two exploration tenements, EL7427 and EL7676, owned by the Company, located in East Lachlan, NSW, Australia, known as the Parkes Project (**Project**) by funding up to \$3,000,000 of exploration expenditure.

Note 12. Equity - issued capital

	31 December 2017 Shares	30 June 2017 Shares	31 December 2017 \$	30 June 2017 \$
Ordinary shares - fully paid	<u>80,250,000</u>	<u>80,000,000</u>	<u>3,813,182</u>	<u>3,763,182</u>

Movements in ordinary share capital during the current and prior financial periods were as follows:

	Shares	\$
Balance at the beginning of period	80,000,000	3,763,182
7 August 2017 – share based payment	250,000	50,000
Balance at 31 December 2017	80,250,000	3,813,182

Magmatic Resources Limited
Notes to the financial statements
For the Half-year ended 31 December 2017

Note 13. Equity - reserves

	31 December 2017	30 June 2017
	\$	\$
Capital restructure reserve	250	250
Options reserve	4,668,453	4,668,453
Total reserves	<u>4,668,703</u>	<u>4,668,703</u>

Note 14. Contingent liabilities

The Group had no contingent liabilities as at 31 December 2017.

Note 15. Events after the reporting period

There was no matter or circumstance arisen since 31 December 2017 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the company's state of affairs in future financial years.

Magmatic Resources Limited
Directors' declaration
For the Half-year ended 31 December 2017

In the opinion of the Directors:

1. The financial statements and notes are in accordance with the Corporations Act 2001, including:
 - (a) Complying with Australian Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - (b) Giving a true and fair view of the Group's financial position as at 31 December 2017 and of its performance for the half year ended on that date;
2. At the date of this declaration, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of directors.



David Richardson
Director

12 March 2018
Perth

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Magmatic Resources Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Magmatic Resources Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2017, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year then ended, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration.

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

- (i) Giving a true and fair view of the Group's financial position as at 31 December 2017 and of its financial performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Emphasis of matter - Material uncertainty relating to going concern

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

Directors' responsibility for the Half-Year Financial Report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2017 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

BDO Audit (WA) Pty Ltd

A handwritten signature in blue ink, appearing to read 'Neil Smith'. Above the signature, the letters 'BDO' are written in a similar blue ink.

Neil Smith

Director

Perth, 12 March 2018