



Magmatic Resources Limited

ABN 32 615 598 322

**Half Year Financial Report – For the period ended
31 December 2019**

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**Magmatic Resources Limited
Corporate Directory**

Board of Directors

David Richardson – Executive Chairman
Peter Duerden – Managing Director
David Flanagan – Non-executive Director
David Berrie – Non-executive Director and joint Company Secretary

Company Secretary

Anthony Walsh

Registered Office and Principal Place of Business

Suite 8
1297 Hay Street
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

Securities Exchange Listing

The securities of Magmatic Resources Limited are quoted on the Australian Securities Exchange under trading codes MAG, MAGO and MAGOA.

Magmatic Resources Limited
Directors' report
31 December 2019

Directors' Report

The Directors present their report, together with the financial statements, on Magmatic Resources Limited (Magmatic or the Company) (ASX:MAG) and its wholly owned subsidiaries, Modeling Resources Pty Ltd (Modeling), Australian Gold and Copper Ltd (AGC) and Landslide Investments Pty Ltd (Landslide), together the Group, for the period ended 31 December 2019.

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
Peter B Duerden (appointed 3 February 2020)
David N Flanagan (appointed 28 October 2019)
David W Berrie
Malcolm Norris (resigned 3 February 2020)
Andrew J Viner (appointed 16 September 2019, resigned 11 October 2019)

Company Secretary

Anthony M Walsh (appointed 15 October 2019)
David W Berrie

Principal activities

The principal activity of the Group during the financial period 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 period for the Group after providing for income tax amounted to \$2,299,417 (31 December 2018: \$760,968).

Review of operations

Magmatic continued its on-the-ground exploration activities during the period within its highly prospective East Lachlan project portfolio as well as its WA portfolio.

Following strategic review of the Company's assets, your Board has resolved to refocus the Company's exploration and evaluation efforts on the Company's extensive East Lachlan projects, following Alkane Resources Limited's ("Alkane") promising exploration results during the September 2019 Quarter.

Refocus on its East Lachlan projects

Reflecting its refocus on its East Lachlan projects, Magmatic cancelled the previously announced demerger of its NSW projects and proposed acquisitions of 3 WA gold projects (see ASX: 07 June 2019 and Notice of General Meeting for 22 October 2019 shareholder meeting for further details).

October/November 2019 Fundraising

On 16 October 2019, Magmatic announced a capital raising of \$2.2 million through the issue of 27.5 million new fully paid ordinary shares. The fund raising was completed at the end of November 2019.

Appointment of David Flanagan as a Director on 28 October 2019

On 28 October 2019, Magmatic announced the appointment of experienced mining executive and Director, Mr David Flanagan to the Company's Board. Mr Flanagan joined Magmatic as an independent Non-Executive Director effective from 28 October 2019.

Appointment of Peter Duerden as Managing Director

In December 2019, the Company announced the appointment of New South Wales Porphyry Gold-Copper specialist Mr Peter Duerden as Managing Director effective from 3 February 2020.

Following Mr Duerden's commencement as Managing Director, Mr David Richardson assumed the role of Executive Chairman and Magmatic's current Chairman, Mr David Berrie moved to Non-Executive Director. To maintain the appropriate board size, current Non-Executive Director Mr Malcolm Norris stood down from the Board effective from 3 February 2020. The Board effective from 3 February 2020 is:

- Executive Chairman – David Richardson
- Managing Director – Peter Duerden
- Lead Independent Non-Executive Director – David Berrie
- Independent Non-Executive Director – David Flanagan
- Company Secretary – Tony Walsh

Magmatic has entered a new phase of exploration at its East Lachlan Gold and Porphyry Gold-Copper projects, and Mr Duerden's technical and management experience in exploration in the East Lachlan Belt will greatly enhance the Company's capabilities.

February 2020 Fundraising

On 12 February 2020, the Company announced a capital raising of \$5 million ("Placement"). Funds raised via the Placement will be applied to rapidly progress the Company's exploration activities at its exploration assets in the East Lachlan province in New South Wales, in particular the Lady Ilse gold-copper porphyry target ~6km SW of Alkane's Boda discovery, where drilling will commence in late March 2020. The Placement was completed on 21 February 2020.

East Lachlan

Magmatic have four advanced porphyry Gold-Copper, Gold and other polymetallic pre-discovery exploration projects in the East Lachlan, NSW.

- Projects were acquired from Gold Fields Limited in 2014, who retain a 11.2% shareholding in Magmatic
- 8 exploration licences covering 1,049km², 100% owned, no royalties. Magmatic has one of the largest land positions on the two East Lachlan Volcanic Belts: the Junee Narromine Volcanic Belt and the Molong Volcanic Belts
- Recent results from Alkane at the Boda porphyry Gold-Copper discovery have reignited interest in this under-explored region
- Magmatic's 100% Lady Ilse prospect is ~6km from the Boda discovery
- Planning high impact drill programme, as well as other exploration programmes, starting at Lady Ilse

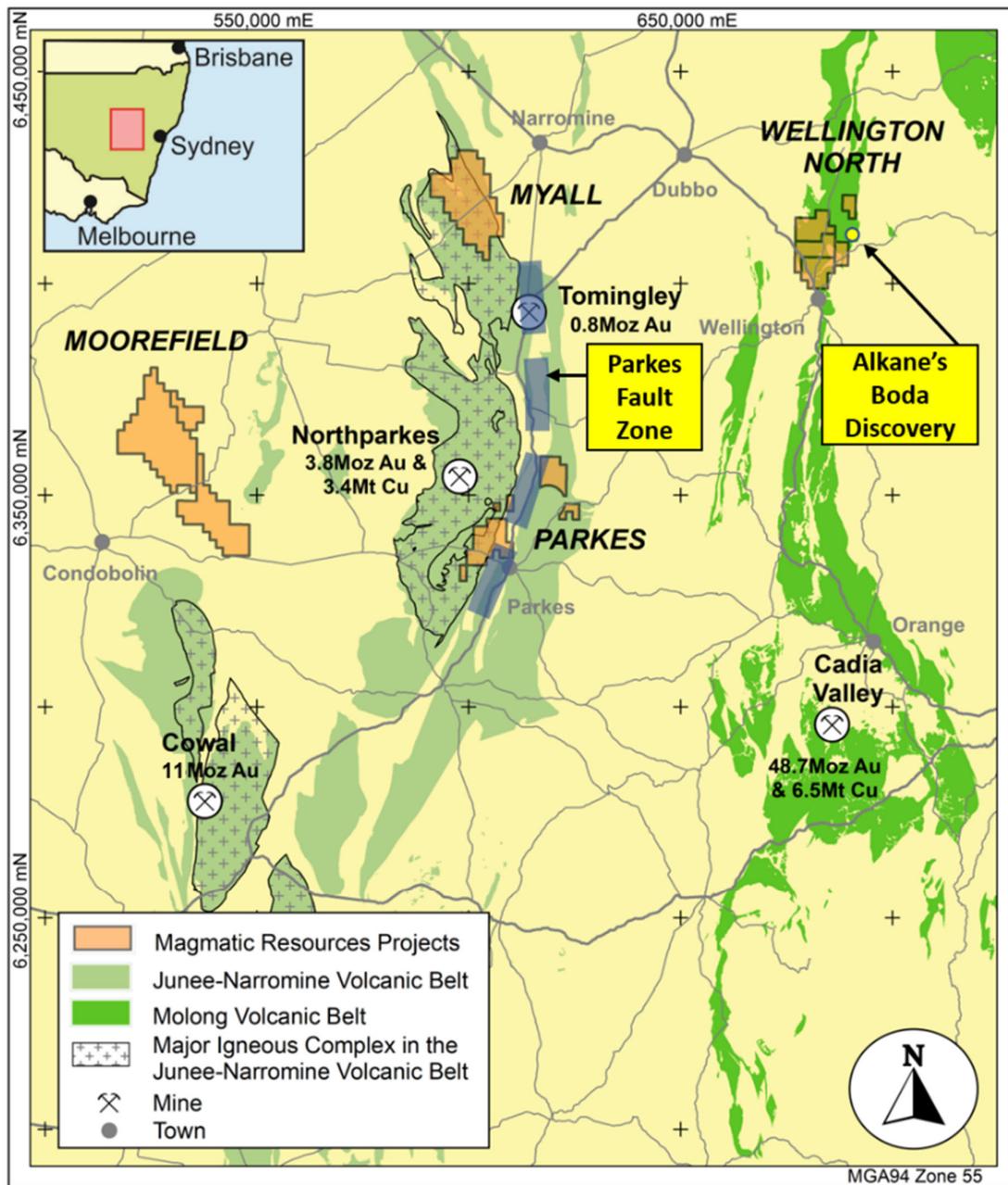


Figure 2: Location of Magmatic's projects in the East Lachlan, NSW showing mines and metal endowment¹

¹ Metal endowment from: Phillips, G N (Ed), 2017. Australian Ore Deposits (The Australasian Institute of Mining and Metallurgy: Melbourne)

Exploration Overview

Wellington North porphyry Gold-Copper, and Gold Project (MAG 100%)

Magmatic's 100%-owned Wellington North Project covers the Northern extension of the Molong Volcanic Belt, which is host to Newcrest Mining Limited's world-class Cadia Valley porphyry Gold-Copper deposit (48.7Moz Au & 6.5Mt Cu) further to the South. The 177km² project comprises three exploration licenses (EL6178, EL8357, EL7440) prospective for gold-copper porphyry and orogenic gold mineralisation.

The recent Boda Discovery by Alkane has highlighted the regions potential for further Tier 1 discoveries. In particular, this discovery demonstrates the potential of the Northern Molong Belt for major gold-copper porphyry discoveries where the company holds an advanced target portfolio and dominant tenure position.

Northern Molong Volcanic Belt an Emerging Hotspot for porphyry Gold-Copper Discovery

Magmatic's Wellington North Project covers a large portion of the Northern Molong Volcanic Belt essentially surrounding the Boda porphyry Gold-Copper discovery made by Alkane in September 2019 (ASX ALK 9/9/2019: 502m at 0.48 g/t Au and 0.20% Cu from 211m down hole and open at the end of hole).

"Alkane has just made the best porphyry exploration discovery in the Lachlan Fold Belt outside the 3 major mines, in the last 20 or so years" (ASX AQX 19/9/2019) - John Holliday (lead Cadia-Ridgeway discovery team)

The Boda discovery has demonstrated the porphyry signature in the northern Molong Volcanic Belt and has had an immediate impact on Magmatic's exploration strategy at the Wellington North Project. Several targets have been upgraded for Boda-style and Cadia East-style porphyry gold-copper mineralisation.

Ongoing exploration, including MIMDAS geophysics has upgraded the Lady Ilse Prospect for Cadia East-style porphyry gold-copper mineralisation and represents a compelling drill ready opportunity.

Imminent drilling of a Cadia East-style porphyry Gold-Copper system at Lady Ilse

Recent petrology and geochemical reprocessing have identified multiple alkalic intrusives in the Wellington North Project similar to Alkane's Boda and Kaiser prospects.

Lady Ilse Prospect

Initial aircore drilling by Magmatic at Lady Ilse targeted a 1996 regional aircore hole, which intersected 3m at 0.6g/t Au (MAG ASX 13/11/2017), and a coincident aeromagnetic anomaly. Magmatic's aircore programme delivered promising results with five holes ending in mineralisation, including an intersection of 20m at 0.66g/t Au (MAG ASX 13/11/2017).

Follow-up RC drilling successfully identified intrusion related Gold-Copper mineralisation under thin transported cover. Significant drill intercepts included 78m at 0.22g/t Au from 27m, 22m at 0.54g/t Au from 18m and 21m at 0.56g/t Au from 81m (MAG ASX 19/02/2018).

Reprocessing of previous close-spaced aeromagnetic data defined a circular feature (possibly intrusion-related) at Lady Ilse. Three-dimensional interpretation of the data has shown that the source of this feature is likely to be deeper than the previous RC drilling.

Parkes porphyry Copper-Gold & Orogenic Gold Project (MAG 100%)

Orogenic Gold targets:

- MacGregors, MacGregors South, Stockman's and Sherlock & Jones targets

Porphyry Copper-Gold targets:

- Buryan,
- 9 aeromagnetic targets

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The Company's orogenic gold targets within the Parkes project are located along the Parkes Fault Zone which is the geological feature that hosts Alkane's recent discoveries south of Tomingley (e.g. ASX ALK 9/9/2019) and new mineral resource at the Roswell target (ASX ALK 28/2/2020).

Myall porphyry Copper-Gold, and epithermal Gold Project (MAG 100%)

Porphyry Copper-Gold targets:

- Kingswood,
- SLR

Epithermal gold targets:

- Barina

The Myall porphyry Copper-Gold Project is located within a very large volcano-intrusive complex within Australia's largest porphyry Gold and Copper belt which hosts the Cadia Valley and Northparkes mines.

The intrusive complex is interpreted to be a similar age as the Cadia Valley and Northparkes porphyry systems. Magmatic has completed a porphyry Copper-Gold analysis of the project and has two drill-ready targets at Kingswood and SLR. The porphyry Copper-Gold system at Kingswood has chalcopyrite-pyrite-bornite-molybdenite sulphide mineralisation hosted in potassic altered, magmatic-hydrothermal breccias, quartz stockwork vein arrays and sheeted and massive magnetite vein systems.

Moorefield Gold & Base Metals Project (MAG 100%)

Gold targets:

- Boxdale to Carlisle Reefs 15km gold trend
 - ✓ Carlisle Reefs target
 - ✓ Boxdale target

Base metal targets:

- ✓ VAMS Copper: Pattons, Moorefield
- ✓ Ghost Hill Zinc skarn

Magmatic has completed the interpretation of an aeromagnetic survey and is planning testing targets with shallow cover.

Magmatic Parkes Joint Venture with JOGMEC finalised

Japan Oils and Gas Metals National Corporation ("JOGMEC"), having spent approximately \$2.7m on its Parkes Project Joint Venture ("JV") with the Company, which is in its third year, have agreed with Magmatic to discontinue the JV, and 100% of the project and the two licences (Alectown and Parkes East) remain with Magmatic.

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

There was no matter or circumstance arisen since 31 December 2019 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 other than the following:

- on 7 January 2020 306,433 ordinary shares of the Company were issued upon the exercise of a similar number of \$0.10 options.

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- on 31 January 2020 14,500,000 unlisted options expiring 31 January 2023 were issued to key management personnel and the Company's media and public relations consultants with 9,700,000 having an exercise price of \$0.363 and 4,800,000 having an exercise price of \$0.605.
- on 3 February 2020 Peter Duerden joined the Company as Managing Director and Malcolm Norris resigned as a Director.
- on 20 February 2020 the Company issued 16,666,667 ordinary shares at \$0.30 cents per share to raise \$4,700,000 after capital raising costs of \$300,000 were incurred.
- on 9 March 2020 12,593 ordinary shares of the Company were issued upon the exercise of a similar number of \$0.30 options.

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 2,000,000 ordinary shares of the Company issued on the exercise of options during the period ended 31 December 2019 and a further 319,026 ordinary shares of the Company were issued as a subsequent event on the exercise of options from 31 December 2019 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 the Directors.

On behalf of the Directors



David Richardson
Executive Chairman

10 March 2020
Perth, Western Australia

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

As lead auditor for the review of Magmatic Resources Limited for the half-year ended 31 December 2019, 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.



Dean Just

Director

BDO Audit (WA) Pty Ltd

Perth, 10 March 2020

Magmatic Resources Limited
Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the Half-year ended 31 December 2019

	Note	31 Dec 2019 \$	31 Dec 2018 \$
Revenue			
Other income	3	114,208	47,935
Expenses			
Corporate and administrative expenses	4	(670,990)	(538,035)
Share based payment expense	5	(1,423,919)	-
Exploration and evaluation expenses	4	(315,094)	(270,402)
Finance expenses		<u>(3,622)</u>	<u>(466)</u>
Loss before income tax expense		(2,299,417)	(760,968)
Income tax expense		<u>-</u>	<u>-</u>
Loss after income tax expense for the half year attributable to the owners of Magmatic Resources Limited		<u>(2,299,417)</u>	<u>(760,968)</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		<u>(2,299,417)</u>	<u>(760,968)</u>
Basic loss per share		Cents 1.90	Cents 0.70

The above Consolidated Statement of Profit and Loss & Other Comprehensive Income should be read in conjunction with the accompanying notes.

Magmatic Resources Limited
Consolidated Statement of Financial Position
31 December 2019

	Note	31 Dec 2019 \$	30 Jun 2019 \$
Assets			
Current assets			
Cash and cash equivalents		854,111	233,431
Trade and other receivables		111,546	108,561
Total current assets		<u>965,657</u>	<u>341,992</u>
Non-current assets			
Security bonds		91,300	36,420
Property, plant & equipment		32,884	91,300
Exploration and evaluation assets		1,628,350	1,628,350
Right-of-use assets	6	138,282	-
Total non-current assets		<u>1,890,816</u>	<u>1,756,070</u>
Total assets		<u>2,856,474</u>	<u>2,098,062</u>
Liabilities			
Current liabilities			
Trade and other payables	7	250,134	901,806
Lease Liabilities	8	39,919	-
Total current liabilities		<u>290,053</u>	<u>901,806</u>
Non-current liabilities			
Lease Liabilities	9	97,664	-
Total non-current liabilities		<u>97,664</u>	-
Total liabilities		<u>387,717</u>	<u>901,806</u>
Net assets		<u>2,468,757</u>	<u>1,196,256</u>
Equity			
Issued capital	10	10,081,855	6,733,855
Reserves	11	3,380,667	3,156,749
Retained losses		<u>(10,993,765)</u>	<u>(8,694,348)</u>
Total equity		<u>2,468,757</u>	<u>1,196,256</u>

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

Magmatic Resources Limited
Consolidated Statement of Changes in Equity
For the Half-year ended 31 December 2019

	Issued Capital \$	Share Based Premium Reserve \$	Option Premium Reserve \$	Accumulated Losses \$	Total Equity \$
Balance at 1 July 2018	5,838,182	2,099,432	969,021	(6,701,323)	2,205,562
Loss after income tax expense for the period	-	-	-	(760,968)	(760,968)
Other comprehensive income for the period, net of tax	-	-	-	-	-
Total comprehensive loss for the period	-	-	-	(760,968)	(760,968)
Transactions with owners recorded directly in equity					
Issue of ordinary shares	1,004,365	-	-	-	1,004,365
Share issue costs	(63,544)	-	-	-	(63,544)
Total transactions with owners recorded directly in equity	940,821	-	-	-	940,821
Balance at 31 December 2018	6,779,003	2,099,432	969,021	(7,462,291)	2,385,415
	Issued Capital \$	Share Based Premium Reserve \$	Option Premium Reserve \$	Accumulated Losses \$	Total Equity \$
Balance at 1 July 2019	6,733,855	2,187,727	969,021	(8,694,348)	1,196,256
Loss after income tax expense for the period	-	-	-	(2,299,417)	(2,299,417)
Other comprehensive income for the period, net of tax	-	-	-	-	-
Total comprehensive loss for the period	-	-	-	(2,299,417)	(2,299,417)
Transactions with owners recorded directly in equity					
Issue of ordinary shares and options	3,474,000	(1,104,000)	1,327,919	-	3,697,918
Share issue costs	(126,000)	-	-	-	(126,000)
Total transactions with owners recorded directly in equity	3,348,000	(1,104,000)	1,327,919	-	3,571,918
Balance at 31 December 2019	10,081,855	1,083,727	2,296,940	(10,993,765)	2,468,757

Magmatic Resources Limited
Consolidated Statement of Cash Flows
For the Half-year ended 31 December 2019

	31 Dec 2019	31 Dec 2018
	\$	\$
Cash flows from operating activities		
Receipts from customers and contract discontinuance fees received	123,325	-
Contract discontinuance fees paid	(60,000)	(100,000)
Payments to suppliers and consultants	(787,903)	(695,213)
Payments for exploration expenditure	(711,879)	(570,402)
Interest (paid) / received	(3,432)	456
Proceeds from / (returned to) earn-in partner	<u>(38,427)</u>	<u>400,000</u>
Net cash (outflow) from operating activities	<u>(1,478,316)</u>	<u>(965,159)</u>
Cash flows from investing activities		
Refund of tenement security deposits	-	10,000
Payments for property, plant and equipment	(11,257)	(1,707)
Payment for acquisition of Landslide Investments Pty Ltd	<u>-</u>	<u>(20,000)</u>
Net cash (outflow) from investing activities	<u>(11,257)</u>	<u>(11,707)</u>
Cash flows from financing activities		
Proceeds from short-term borrowings	550,000	-
Repayment of short-term borrowings	(450,000)	-
Repayment of lease liabilities	(23,747)	-
Proceeds from issue of shares net of capital raising costs	<u>2,034,000</u>	<u>930,821</u>
Net cash inflow from financing activities	<u>2,110,253</u>	<u>930,821</u>
Net increase / (decrease) in cash and cash equivalents	620,680	(46,045)
Cash and cash equivalents at the beginning of period	<u>233,431</u>	<u>553,484</u>
Cash and cash equivalents at the end of the period	<u>854,111</u>	<u>507,440</u>

Magmatic Resources Limited
Notes to the financial statements
For the Half-year ended 31 December 2019

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 2019 were authorised for issue in accordance with a resolution of Directors on 10 March 2020.

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 2019 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 2019 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 2019 except for the adoption of the new standard AASB 16: Leases, applicable from 1 July 2019.

(b) Changes in Accounting policies

AASB 16: Leases

The Group adopted the new standard using the modified retrospective approach. Lease assets and liabilities are measured at the present value of future payments on the initial date of application, being 1 July 2019.

The Group has not restated comparative for the reporting period as permitted under the specific transitional provisions in the standard. The reclassification and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 July 2019.

The impact on the statement of financial position as at 1 July 2019 on the adoption of AASB16 are noted below:

	\$
Right-of-use assets	
Right-of-use assets – Buildings	161,329
Right-of-use assets – Plant & Equipment	-
Total right-of-use assets	161,329
Lease liabilities	
Current	45,311
Non-current	116,018
Total lease liabilities	161,329

The leases recognised by the Group under AASB 16 predominantly relate to the lease of the Company's exploration offices and yard in Orange.

AASB 16 provides a new lessee accounting model which requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months unless the underlying asset is of low value. The depreciation of the lease assets and interest on the lease liabilities are recognised in the consolidated profit or loss and other comprehensive income statement.

Before the adoption of AASB 16, the Group classified each of its leases (as lessee) at inception either as a finance lease or operating lease.

Leases accounting policy (applied from 1 July 2019)

When a contract is entered into, the Group assesses whether the contract contains a lease. A lease arises when the Group has the right to direct the use of an identified asset which is not substitutable and to obtain substantially all economic benefits from the use of the asset throughout the period of use.

The Group separates the lease and non-lease components of the contract and accounts for these separately. The Group allocates the consideration in the contract to each component on the basis of their relative stand-alone prices.

Leases as a lessee

Lease assets and lease liabilities are recognised at the lease commencement date, which is when the assets are available for use. The assets are initially measured at cost, which is the present value of future lease payments adjusted for any lease payments made at or before the commencement date, plus any make-good obligations and initial direct costs incurred.

Lease assets are depreciated using the straight-line method over the lease term. Periodic adjustments are made for any re-measurements of the lease liabilities and impairment losses, assessed in accordance with the Group's impairment policies.

Lease liabilities are initially measured at the present value of future minimum lease payments, discounted using the Group's incremental borrowing rate if the rate implicit in the lease cannot be readily determined, and are subsequently measured at amortised cost using the effective interest rate. Minimum lease payments are fixed payments.

The lease liability is remeasured when there are changes in future lease payments arising from a change in rates, index or lease terms from exercising an extension or termination option. A corresponding adjustment is made to the carrying amount of the lease assets, with any excess recognised in the consolidated profit or loss and other comprehensive income statement.

Short-term leases and lease of low value assets

Short-term leases (lease term of 12 months or less) and leases of low value assets are recognised as incurred as an expense in the consolidated profit or loss and other comprehensive income statement. Low value assets comprise plant and equipment.

Changes in Critical Estimates and Judgements

Judgements:

Leases – determining the lease term.

The Group has in place a number of leases of property and equipment with terms that can be renewed or extended, or, where no formal extension or renewal option exist, there is a practice of renewing or extending the lease.

In determining the lease term, management is required to determine

- Whether there is an actual or implied extension or renewal option. An implied extension or renewal option will exist if both the lessee and lessor would incur a more than insignificant penalty if the lease were not extended or renewed; and
- Whether the Group is reasonably certain to exercise any actual or implied extension options, taking into account all facts and circumstances relating to the lease.

Estimates:

Leases - determining the incremental borrowing rate.

Where the interest rate implicit in a lease is not known, the Group is required to determine the incremental borrowing rate, being the rate of interest the Group would have to pay to borrow a similar amount, over a similar term, with similar security to obtain an asset of similar value in a similar economic environment.

As this information may not be readily available, the Group is required to estimate its incremental borrowing rate using such information as is available and making adjustments to reflect the particular circumstances of each lease.

The weighted average incremental borrowing rate applied to lease liabilities on 1 July 2019 was 5%.

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Notes to the financial statements
For the Half-year ended 31 December 2019

Note 3. Revenue

	Half-year 31 December 2019 \$	Half-year 31 December 2018 \$
<i>Other income</i>		
Interest	190	1,476
Equipment hire income	1,500	-
JV management fee	-	46,459
Office sublease income	12,518	-
Contract discontinuance fee	100,000	-
	<u>114,208</u>	<u>47,935</u>

Note 4. Expenses

	Half-year 31 December 2019 \$	Half-year 31 December 2018 \$
<i>Corporate and administration expenses</i>		
Consulting Fees	103,115	-
Depreciation	14,793	20,075
Right of Use Assets Amortisation	23,047	-
Directors and Company Secretarial Fees	32,622	-
Employee Expenses	168,471	235,942
Investor Relations	26,320	21,834
Legal Fees	103,478	36,243
Travel	33,148	37,792
Rental Expenses	22,356	13,581
Contract Discontinuance Settlements	60,000	100,000
Other	83,640	72,569
	<u>670,990</u>	<u>538,035</u>
<i>Exploration and evaluation expenses</i>		
Exploration expenses incurred	323,860	670,402
Less reimbursement (from) / to JV partner	(8,766)	(400,000)
Net exploration and evaluation expense	<u>315,094</u>	<u>270,402</u>
	<u>986,084</u>	<u>808,437</u>

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Notes to the financial statements
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Note 5. Share based payment expenses

	31 December 2019	30 June 2019
	\$	\$
20,000,000 \$0.10 options expiring 30 November 2022 issued on 25 September 2019 to a corporate adviser for the supply of corporate advisory services for a period of 12 months with an invoiced fair value of \$140,000	140,000	-
3,000,000 \$0.10 options expiring 14 October 2022 with a Black Scholes valuation* of \$126,398 issued on 11 October 2019 to Blue Cap Mining Pty Ltd as a contract termination settlement	126,398	-
1,000,000 ordinary shares issued on 14 October 2019 at the closing trading price on that day of \$0.11 on the date of the issue to North Iron Cap as a contract termination settlement	110,000	-
2,000,000 \$0.10 options expiring 30 November 2022 with a Black Scholes valuation* of \$268,479 issued on 22 October 2019 to a consultant as part consideration for the supply of company secretarial services	268,479	-
8,000,000 \$0.26 options expiring on 30 November 2022 with a Black Scholes valuation* of \$779,041 were issued on 29 October 2019 to Non-executive Directors of the Company	779,042	-
	<u>1,423,919</u>	<u>-</u>

**Black-Scholes model assumptions for options issued during the period that were valued using that method*

<i>Holder</i>	<i>Grant date share price (cents)</i>	<i>Exercise Price (cents)</i>	<i>Expected volatility (%)</i>	<i>Option Life (Years)</i>	<i>Dividend Yield (%)</i>	<i>Risk-free Rate (%)</i>	<i>Fair value per option (cents)</i>
<i>Blue Cap Mining Pty Ltd</i>	7.5	10.0	100	3.01	0.00	0.68	4.21
<i>Company Secretary</i>	18.5	10.0	100	3.02	0.00	0.68	13.42
<i>Non-executive Directors</i>	18.0	26.0	100	3.01	0.00	0.68	9.74

Note 6. Non-current assets – right-of-use assets

	31 December 2019	30 June 2019
	\$	\$
Land and buildings – right-of-use assets	161,329	-
Less: Accumulated amortisation	(23,047)	-
	<u>138,282</u>	<u>-</u>

The consolidated entity leases land and buildings for its exploration offices and warehouse under a three-year lease agreement of with no option to extend. The lease has an annual CPI escalation clause.

Magmatic Resources Limited
Notes to the financial statements
For the Half-year ended 31 December 2019

Note 7. Current liabilities - trade and other payables

	31 December 2019	30 June 2019
	\$	\$
Trade creditors*	135,559	224,713
Other creditors	98,725	625,452
GST payable	15,850	4,448
JOGMEC – Funds Received in Advance	-	47,193
	<u>250,134</u>	<u>901,806</u>

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

Note 8. Current liabilities – lease liabilities

	31 December 2019	30 June 2019
	\$	\$
Lease liability	39,919	-
	<u>39,919</u>	<u>-</u>

Note 9. Non-current liabilities – lease liabilities

	31 December 2019	30 June 2019
	\$	\$
Lease liability	97,664	-
	<u>97,664</u>	<u>-</u>

Note 10. Equity - issued capital

	31 December 2019	30 June 2019	31 December 2019	30 June 2019
	Shares	Shares	\$	\$
Ordinary shares - fully paid	<u>155,182,568</u>	<u>117,242,568</u>	<u>10,081,855</u>	<u>6,733,855</u>

Magmatic Resources Limited
Notes to the financial statements
For the Half-year ended 31 December 2019

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

	Shares	\$
Balance at the beginning of period	117,242,568	6,733,855
14 October 2019 – North Iron Cap Contract Termination Settlement	1,000,000	110,000
23 October 2019 – Placement Tranche 1	10,375,000	830,000
30 October 2019 – Class B Performance rights conversion	7,440,000	1,104,000
25 November 2019 – Placement Tranche 2	17,125,000	1,370,000
26 November 2019 – Capital raising expenses	-	(126,000)
02 December 2019 – Element 25 Options Exercised	2,000,000	60,000
Balance at 31 December 2019	155,182,568	10,081,855

Note 11. Equity - reserves

	31 December 2019	30 June 2019
	\$	\$
Capital restructure reserve	250	250
Share based payments reserve	1,083,477	2,187,478
Options based payments reserve	2,296,940	969,021
Total reserves	<u>3,380,667</u>	<u>3,156,749</u>

Magmatic Resources Limited
Notes to the financial statements
For the Half-year ended 31 December 2019

Note 12. Contingent liabilities

From time to time the Company may be party to claims from suppliers and service providers arising from operations in the ordinary course of business.

As at the date of this report there are no claims or contingent liabilities that are expected to materially impact, either individually or in aggregate, the Company's financial position or results from operations, other than as set out below.

Mt Venn project

The Group has the following deferred consideration obligations with respect to the Mt Venn project:

Event	Consideration	Relevant condition (if any)
Performance hurdle 1	\$350,000 cash; and \$350,000 in ordinary fully paid Magmatic shares	Magmatic defining a JORC 2012 Mineral Resource of 20Mt @>= 1% CuEq
Performance hurdle 2	\$350,000 cash; and \$350,000 in ordinary fully paid Magmatic shares	Magmatic making a Decision to Mine
Royalty payment	2% Net Smelter Royalty (NSR) on production	Magmatic has been granted a buyback option over the NSR in return of a payment of \$5,000,000

The consideration will become due and payable in the event that the relevant conditions are met. As at the reporting date, the conditions in respect of each of the items have not been met and therefore the amounts are recognised as contingent liabilities.

Note 13. Events after the reporting period

There was no matter or circumstance arisen since 31 December 2019 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 other than the following:

- on 7 January 2020 306,433 ordinary shares of the Company were issued upon the exercise of a similar number of \$0.10 options.
- on 31 January 2020 14,500,000 unlisted options expiring 31 January 2023 were issued to key management personnel and the Company's media and public relations consultants with 9,700,000 having an exercise price of \$0.363 and 4,800,000 having an exercise price of \$0.605.
- on 3 February 2020 Peter Duerden joined the Company as Managing Director and Malcolm Norris resigned as a Director.
- on 20 February 2020 the Company issued a further 16,666,667 ordinary shares at \$0.30 cents per share to raise \$4,700,000 after capital raising costs of \$300,000 were incurred.
- on 9 March 2020 12,593 ordinary shares of the Company were issued upon the exercise of a similar number of \$0.30 options.

Magmatic Resources Limited
Directors' declaration
For the Half-year ended 31 December 2019

Note 14. Related party transactions

David Richardson is employed as the Company's executive chairman and Peter Duerden is employed as the Company's managing director on the following basis:

Name	Term of agreement and notice period	Base salary (excl. superannuation)	Termination payments
David Richardson <i>Executive Chairman</i>	2 years 3 months	\$180,000	N/A
Peter Duerden <i>Managing Director</i>	Indefinite 6 months	\$260,000*	N/A

* *Effective from 3 February 2020*

Director's declaration

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 2019 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 the Board of Directors.



David Richardson
Executive Chairman

10 March 2020
Perth, Western Australia

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 2019, 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 2019 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.

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 2019 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

BDO


Dean Just

Director

Perth, 10 March 2020