MAGNETITE MINES LIMITED

High Grade Iron Ore Concentrate

ANNUAL REPORT 2019

Corporate Information

Directors

PETER J SCHUBERT
Executive Chairman

FRANK DEMARTE
Executive Director

MALCOLM R J RANDALL
Non-Executive Director

Company Secretary

FRANK DEMARTE

Stock Exchange Listing

Australian Securities Exchange Ltd
Code: MGT

Website

www.magnetitemines.com

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ABN: 34 108 102 432

Share Register

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Auditors

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Level 2, 1 Walker Avenue
West Perth, Western Australia 6005

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Dear Shareholders,

It's been a little over a year since I accepted the role of Executive Chair, and with it a mandate to help steer a strategy and team to unlock the true value potential of your company's world class Razorback iron ore tenements. I would like to sincerely thank the board, staff and shareholders for the opportunity, trust and ongoing support.

Like many of you, I am a long-term shareholder. I was originally attracted by the world class attributes of the Razorback project – its scale, setting and high-grade iron ore concentrate product. But to date, we have not seen the potential reflected in the company's stock market valuation.

But my message to you is that we are making real progress in unlocking the potential of the Razorback resource. Let me first address the convertible note, a legacy issue of concern to many shareholders.

I'm pleased to report on the successful renegotiation of the note, with a substantial reduction of the notes face value and interest rate, but also the extension to maturity by 4 years (See ASX release 04/09/2019).

The renegotiation removes a significant impediment to funding. Capital for any development company is vital.

The second area of progress is our development pathway. The conundrum of the Razorback project, and for that matter the Braemar as a whole, has been, how to develop and deliver in a realistic, timely, cost efficient and profitable way. I am pleased to report that Magnetite Mines is making substantive progress towards in answer to that key challenge.

South Australia is a longstanding iron ore producer – in fact it is the birthplace of Australia's iron ore industry and has been mined continuously for far longer than the Pilbara. The Braemar's iron ore reserves are enormous by any measure. The region is no secret and has been looked at over the years by many parties.

Demand for iron ore is strong. Year to date Chinese steel production (to August) is up 9% and may well exceed 1 billion tonnes in the year. The shortage brought on by Vale's catastrophic dam collapse has highlighted the limited iron ore supply response available.

There are two sides to the iron ore concentrate coin. On one side, premiums for higher grades are now well established due to the environmental and productivity gains delivered by higher grades. On the other side, there are beneficiation costs associated with producing that concentrate. The ports stock premium for 65% material is about $17 today and a high-grade concentrate premium is significantly higher still.

So, the trick is how to deliver into that premium. Profitably, under all reasonable iron ore price assumptions.

When our previous PFS work was completed, high grade premiums were lower. Our previous PFS and subsequent optimized PFS in 2013 looked at Razorback as a large, bulk mining operation focused on scale. The path to production involved slurry pipelines, floating ports and substantial capital. The conclusions of the PFS show off the genuine scale opportunities, and potential profitability of the ~4 billion tonne JORC resource already in place. And the company has 110km of prospective strike that we haven't drilled yet. But while this work was technically sound, we must recognize that we were unable to excite interest in the market for a large scale, significant capital development pathway

So, iron ore and scale are not the issue. A fresh set of eyes and approach was key.

A major goal for the board this year was to attract quality personnel, who bring the gravitas, experience and market trust that the project demands and deserves. Mark Eames ticked all those boxes and we were delighted to welcome him to the team earlier in the year. (See ASX release 13/05/2019)

Marks 30-year CV speaks for itself, as do his network and industry affiliations, but it was his role as head of iron ore assets for Glencore that made his opinion of the project and its potential so invaluable. His belief in the Razorback project, its globally unique scale, quality and location is bolstering to the entire team.

Mark lead the internal review, re-evaluation and subsequent scoping study of the project and its metrics. (Magnetite Mines is fortunate to have a rich data set derived from previous studies and ~ 52,000mtrs of drilling from which to draw)

The study's goals were to assess selective mining of the deposit and to take advantage of near zero stripping ratios, advances in technology, proximity to infrastructure and ports while drastically reducing the capital required to deliver the project.

I'm very pleased to report that the scoping evaluation, based on a smaller tonnage, rapid development, that addresses those goals, is promising, and supports the board's decision to re-frame the project and methodically stage development work, with the aim of creating material shareholder value and project acceleration. This study work will dovetail into permitting and project construction.

There is a genuine disconnect between our market valuation and shareholder expectation. In fact, we believe that Magnetite Mines has the lowest ratio of market cap to insitu-tonne of any company in the iron ore universe. We will be promoting the positive results of the scoping study for Razorback and welcome shareholder support in helping to spread the word.

CHAIRMAN'S LETTER

We are very fortunate a project of Razorbacks scale and significance is situated in a politically stable and supportive region and would like to thank the South Australian government and SACOME for rallying behind the project and look forward to becoming a significant employer and revenue generator for the State and its people.

We are in advancing discussion with several potential funding partners, to work alongside Magnetite Mines and take the Razorback project from concept to delivery in the shortest possible time frame.

I believe the next phase for the company could well be its most exciting and transformational.

Yours sincerely,

Peter Schubert

EXECUTIVE CHAIRMAN

Summary of Activities

Corporate

- Continued marketing of the Razorback Iron Project towards project financing and offtake
- Negotiations towards proposed acquisition of Lodestone Equities Limited by the Company ceased. Termination of Final Framework Agreement between the Company, Coffee House Group Limited, Lodestone Equities Limited and Toll Resources
- Resignation of Chairman Mr. Gordon Toll and appointment of Mr. Peter Schubert as Executive Chairman
- Appointment of Strategic Advisor Mr. Mark Eames to assist with development of the overall marketing strategy for the Razorback Iron Project
- Initiation of hydrology, metallurgical and financial reviews towards optimised pathways to production
- Placement to investors to raise $300,000 (before costs)
- The Company continues reducing costs by relinquishing non-key tenements

Razorback Iron Project

- Razorback Deposit total 2012 JORC Resource is 2.7 Billion tonnes at 18.2% Fe, 15.3% eDTR, representing over 418 Million tonnes of 67.4% Fe magnetite concentrate product. The initial resource was completed in 2013 and updated in late 2018 to comply with JORC 2012 reporting standards
- Pre-Feasibility Study (PFS) of Razorback Premium Iron Project successfully delivered in 2013
- Optimisation work continues utilising Prefeasibility Base Case in areas of infrastructure, mining and processing towards less capital intensive mining options

Exploration

- Environmental compliance via rehabilitation is ongoing at the Razorback Iron Project.
- PFS water options review and reassessment completed.
- Flow sheet optimisation and metallurgical review underway

Operational Activities

Magnetite Mines Limited is a mineral exploration and development Company, with the enormous South Australian Razorback Iron Project, which contains the Razorback and Ironback Hill magnetite deposits.

Following the termination of the Final Framework Agreement regarding the acquisition of Lodestone Equities, the Company is focussing on less capital-intensive pathways to production in response to a structural shift in the rapidly evolving iron ore market.

By utilising the existing knowledgebase as defined in the PFS and Optimisation studies thereafter, the Company is exploring optimised pathways to production that leverage off existing infrastructure and maturing technologies. The work has included infrastructure, metallurgical, hydrology and other low-cost technical studies towards this goal. To that end, exploration expenditure was kept to a minimum, with a focus on our environmental commitments to the Razorback Iron Project, undertaking rehabilitation at the Razorback Iron Project as a priority.

REVIEW OF OPERATIONS

Razorback Iron Project

The Razorback Iron Project is located 250km NNE of Adelaide, South Australia, and covers large tracts of the highly prospective Braemar Iron Formation (Figure 1). It consists of five exploration licences: EL6353 (ex.EL5432), EL5902, EL6127, EL6126 and EL6037 which are owned by the Company and cover the Razorback iron deposit and its extensions. The Company is focussed on the development of the multi-billion tonne Razorback deposit which comprises the Razorback Ridge, Razorback West, Interzone and Iron Peak orebodies (Figure 2).

The Braemar Iron Formation is the host rock to magnetite mineralisation on the project. This formation has a strike length of approximately 120km within the area controlled by the Company.

The Razorback Iron Project is surrounded by existing infrastructure allowing access to open user power, gas, heavy engineering and dormitory towns. In addition, the Company is currently exploring options that leverage on the existing infrastructure available to the project

Figure 1 – Project Locations – Razorback Iron Project

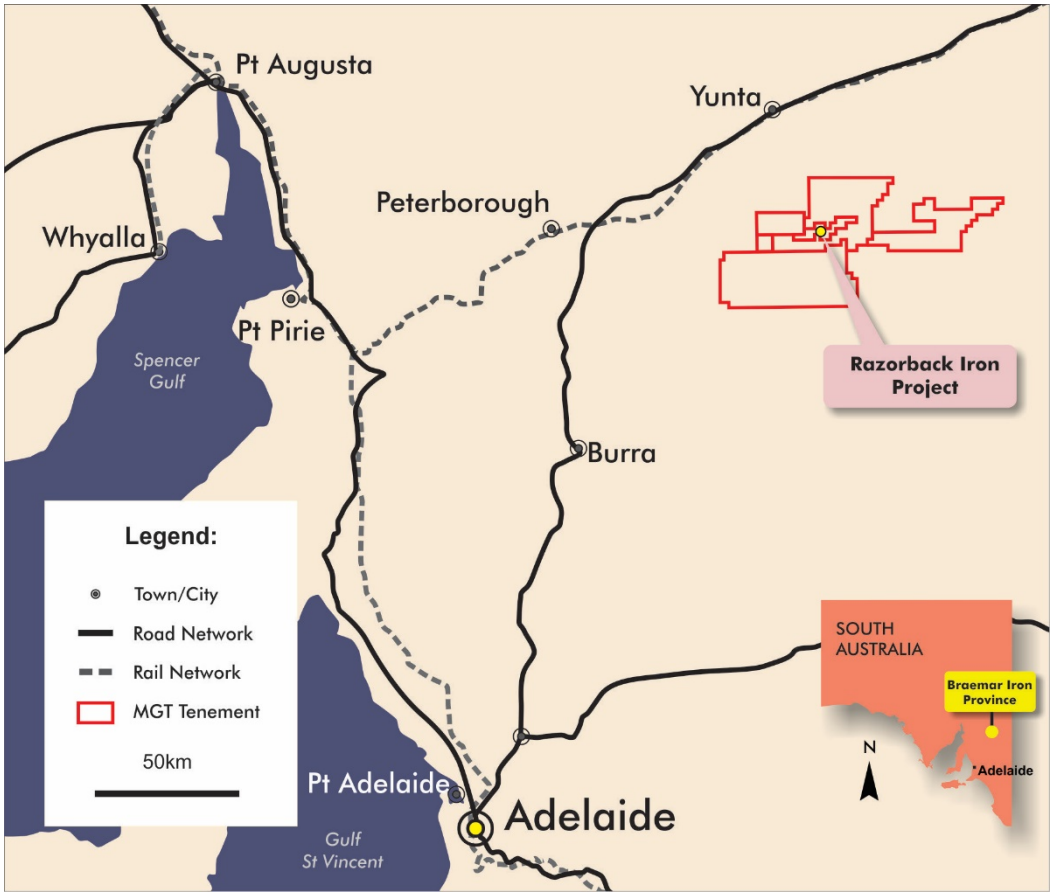
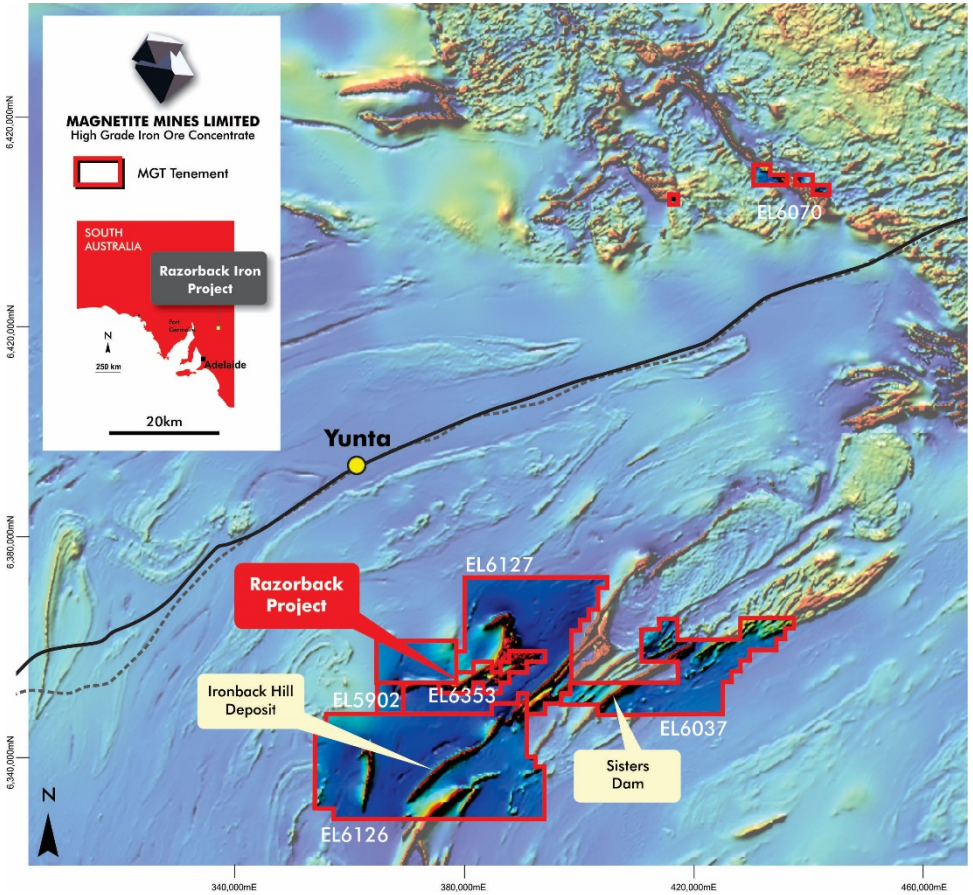


Figure 2 - Aeromagnetic Image of the Razorback Iron Project, detailing the locations of the Razorback Iron Project and associated prospects.



Razorback Deposit

To date, activities at the Razorback deposit have largely focussed on the positive PFS and optimisation studies therein. More recently a number of studies to investigate smaller scale mining options have been initiated by the Company. Initially studies focussed on a metallurgical and financial review and was later expanded to include a complete Scoping Study (Study).[1] This Study seeks to investigate lower capital options towards a lower tonnage start-up mining development. The Study is currently underway and utilises the large knowledgebase afforded by PFS studies which sought to define large scale mining options. Results of the Study are pending, due in the following reporting period, key aspects of the work includes:

1) Metallurgical review of the existing flow sheet and optimisations therein via the use of air classification and HPGR testwork
2) Investigation of the use of existing infrastructure such as rail, power and port options available to the project and;
3) Financial analysis of a variety of economic scenarios towards potential mine development pathways

In addition to the Scoping Study, during the reporting period the Razorback[2] and Ironback Hill[3] deposits were brought up to date with respect to JORC 2012 reporting guidelines. No material changes to the resource tonnage nor categorisation were made as part of the JORC 2012 upgrade.

Note:

1 ASX Announcement – 31/07/19 – Fourth Quarter Activities and Cashflow Reports
2 ASX Announcement – 12/11/18 – Razorback Iron Project JORC 2012 Resource Update
3 ASX Announcement – 20/11/18 – Ironback Hill Deposit JORC 2012 Resource Update

Razorback Resource and Exploration

A resource definition programme of approximately 36,000 metres of combined RC and diamond drilling has been undertaken over several drilling phases from April 2010 to June 2012. As announced to the ASX on 12 November 2018[2], the Razorback deposit has been upgraded to JORC 2012 reporting guidelines for a total Resource Estimation of **2.7 Billion tonnes at 15.3% eDTR*, 18.2% Fe Head grade** (Table 1). The resource equates to **418 Million tonnes of 67.4% Fe concentrate** equivalent (Table 2).

Table 1 - Total 2012 JORC Mineral Resource from the Razorback Deposit (11% eDTR cutoff)[1]

Prospect	JORC Resource Classification	Million Tonnes[2]	eDTR%*	Fe%	SiO_2%	Al_2O_3%	P%
Razorback	Indicated	833	16.0	21.7	45.2	7.3	0.20
	Inferred	1,532	14.6	16.1	50.2	8.5	0.17
Iron Peak	Indicated	203	16.8	20.0	45.0	7.67	0.18
	Inferred	163	15.6	17.1	46.7	8.0	0.16
Total	Mineral Resources	2,731	15.3	18.2	48.1	8.0	0.18

Note:

1 ASX announcement – 12 November 2018 – Razorback Iron Project – JORC 2012 Resource Update

2 Tonnages rounded to significant values; total may not appear correct as a result.

* eDTR or equivalent Davis Tube Recovery explained in ASX announcements on the 11th June 2013 and 10th July 2013.

Table 2 - Razorback Deposit indicative product specification (45 micron grind size)

	Recovery	Million Tonnes	Fe%	SiO_2%	Al_2O_3%	P%	S%
Magnetite Product[1]	15.3%	418	67.4	4.74	0.54	0.016	0.003

Note 1: Rounded to significant figures

Ironback Hill Prospect

The Ironback Hill Prospect occurs on EL6126 and is approximately 12 km south-southwest of Razorback Ridge (Figure 2). A JORC 2004 Inferred Resource of 1,187 Mt @ 23.2% Fe was initially announced on 21st November 2012, and represents approximately 10 kilometres strike length of the Braemar Iron Formation. In November 2018, the Ironback Hill Resource Estimate was updated to JORC 2012 guidelines. The completed drilling program included 12,466 metres RC and 2,849 metres of diamond drilling between October 2011 and April 2012 (Figure 3). Resource modelling confirmed the excellent continuity of the resource. The Resource remains open to the east and with depth. The Ironback Hill Prospect would most likely be developed independently to the Razorback Project.

Table 3: Total 2012 JORC compliant Inferred Mineral Resource from Ironback Hill[1]

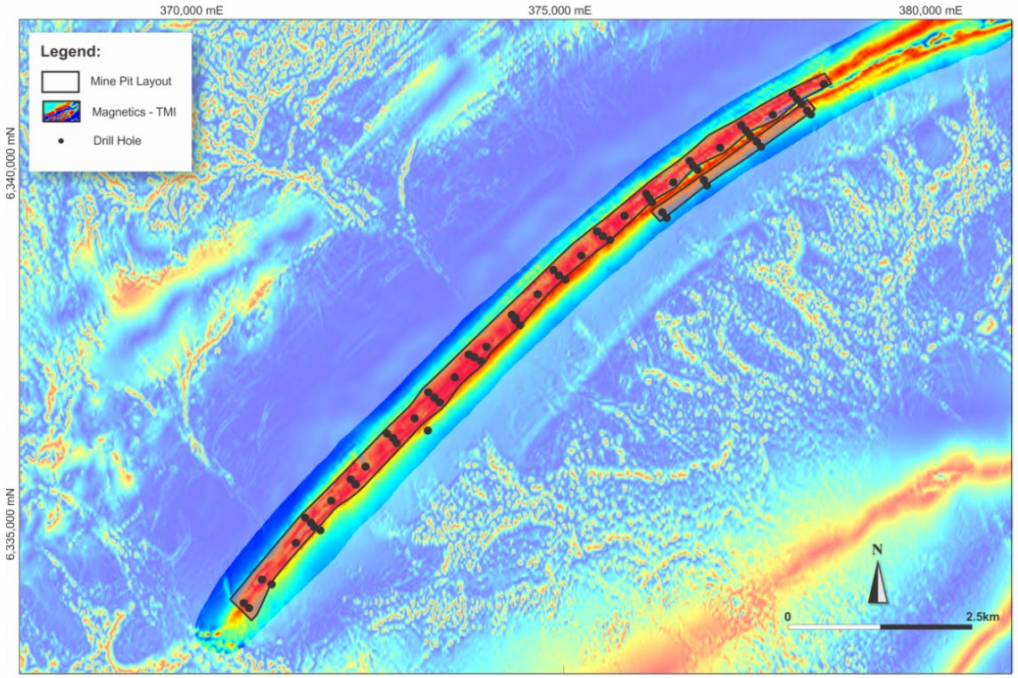
Project	JORC Resource Classification	Million Tonnes[2]	Fe%	SiO_2%	Al_2O_3%	P%
Ironback Hill	Inferred	1,187	21.0	44.1	7.2	0.21

Notes:

1 ASX Announcement – 20 November 2018 – Ironback Hill Deposit – JORC 2012 Resource Update

2 Tonnages rounded to significant values; total may not appear correct as a result.

Figure 3 – Ironback Hill Resource



Statement Of Resources

Razorback Resource Estimate[1] (100% Magnetite Mines) – November 2018

Prospect	JORC Resource Classification	Million Tonnes[2]	eDTR%*	Fe%	SiO_2%	Al_2O_3%	P%
Razorback	Indicated	833	16.0	21.7	45.2	7.3	0.20
	Inferred	1,532	14.6	16.1	50.2	8.5	0.17
Iron Peak	Indicated	203	16.8	20.0	45.0	7.67	0.18
	Inferred	163	15.6	17.1	46.7	8.0	0.16
Total	Mineral Resources	2,731	15.3	18.2	48.1	8.0	0.18

Note:

1 ASX announcement – 12 November 2018 – Razorback Iron Project – JORC 2012 Resource Update

2 Rounded to significant figures.

* $_e$DTR is the equivalent Davis Tube Recovery derived from calibrated magnetic susceptibility data and explained in ASX announcements on the 12th November 2018.

Ironback Hill Resource Estimate[1] (100% Magnetite Mines) – November 2018

Project	JORC Resource Classification	Million Tonnes[2]	Fe%	SiO_2%	Al_2O_3%	P%
Ironback Hill	Inferred	1,187	21.0	44.1	7.2	0.21

Note:

1 ASX Announcement – 20 November 2018 – Ironback Hill Deposit – JORC 2012 Resource Update

2 Tonnages rounded to significant values; total may not appear correct as a result.

Competent Person Statement

The details contained in this report that pertains to ore and mineralisation and the resource underpinning the production target is based upon information compiled by Mr Trevor Thomas MEarthSci – Geology (Hons) a full-time employee of the Magnetite Mines Limited and external consultant Mr Lynn Widenbar BSc (Hons), MSc, DIC, Principal Consultant Widenbar and Associates Pty Ltd. Mr. Thomas is a Member of the Australasian Institute of Mining and Metallurgy (AusIMM) and Australian Institute of Geoscientists (AIG) Mr Widenbar is a Member of the AusIMM. These two people have sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as a Competent Persons as defined in the December 2012 edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves" (JORC Code 2012). Mr. Thomas and Mr Widenbar consent to the inclusion in this report of the matters based upon their information in the form and context in which it appears.

The Resource Statement above is based on, and fairly represents, information and supporting documentation prepared by competent persons.

Corporate Governance – Reserves And Resources Calculations

Due to the nature, stage and size of the Company's existing operations, the Company believes there would be no efficiencies gained by establishing a separate mineral reserves and resources committee responsible for reviewing and monitoring the Company's processes for calculating mineral reserves and resources and for ensuring that the appropriate internal controls are applied to such calculations.

However, the Company ensures that any mineral reserve and resource calculations are prepared by competent geologists and are reviewed independently and verified (including estimation methodology, sampling, analytical and test data).

Directors' Report

Your directors of Magnetite Mines Limited submit their report together with the financial statements of the consolidated entity consisting of the Company and the entities it controlled at the end of, or during, the year ended 30 June 2019.

Information On Directors

The following persons were directors of the Company during the financial year and until the date of this report. Directors were in office since the start of the financial year to the date of this report unless otherwise stated.

Peter J Schubert

Executive Chairman

(Appointed as Executive Chairman on 3 September 2018)

Experience and expertise

Mr Schubert is a professional investor with business development and entrepreneurial skills teamed with over 31 years of direct experience in international and domestic markets. Mr Schubert has strong, established ties to the investment community, particularly in relation to the Australian resource sector.

During his career Mr Schubert has developed a range of businesses across various sectors with an emphasis on support for the establishment of various Australian resource companies.

Mr Schubert's experience includes manufacturing, investor relations, advertising, systems development, and capital markets.

Mr Schubert was first appointed to the board on 17 December 2015 as non-executive director and appointed as executive director on 9 December 2016.

Current directorships of listed companies

None.

Former directorships of listed companies in last 3 years

None.

Special responsibilities

Chairman of the board (*from 3 September 2018)*
Member of the nomination committee (from 17 December 2015 to 2 September 2018)
Chairman of the nomination committee *(from 3 September 2018)*

Frank DeMarte

BBus, FGIA, FCIS, FAICD
Executive director

Experience and expertise

Mr DeMarte has over 35 years of experience in the mining and exploration industry in Western Australia. Mr DeMarte has held executive positions with a number of listed mining and exploration companies and is currently an Executive Director of the Company.

Mr DeMarte is experienced in areas of company secretarial practice, management accounting and corporate and financial management. Mr DeMarte holds a bachelor of business majoring in accounting and is a fellow of the Governance Institute of Australia, a fellow of the Australian Institute of Chartered Secretaries and Administrators and a fellow of the Australian Institute of Company Directors.

Mr DeMarte was first appointed to the board on 23 February 2004.

Current directorships of listed companies

Ora Gold Limited *(from March 2001)*

Former directorships of listed companies in last 3 years

None.

Special responsibilities

Member of the nomination committee *(from February 2004)*
Member of the remuneration committee *(from February 2004)*
Member of the audit committee (from April 2012)

Information On Directors *continued*

Malcolm R J Randall

B.Applied Chem, FAICD
Non-Executive director

Experience and expertise

Mr Randall holds a Bachelor of Applied Chemistry Degree and is a fellow of the Australian Institute of Company Directors. He has extensive experience in corporate management and marketing in the resource sector, including more than 26 years with the Rio Tinto group of companies. His experience extends over a broad range of commodities including iron ore, diamonds, base metals, coal, uranium, and industrial minerals both in Australia and internationally.

Mr Randall was first appointed to the board on 4 October 2006.

Current directorships of listed companies

Kalium Lakes Limited *(from 2016)*
Ora Gold Limited *(from 2003)*
Argosy Minerals Limited *(from 2017)*
Hastings Technology Metals Limited *(from Feb 2019)*

Former directorships of listed companies in last 3 years

Director of MZI Resources Limited *(from 2006 to 2016)*
Summit Resources Limited *(from 2007 to 2018)*

Special responsibilities

Chairman of the audit committee *(from August 2009)*
Member of the nomination committee (*from* October 2006)
Chairman of the remuneration committee *(from October 2011)*
Member of the remuneration committee *(from October 2006)*

Company Secretary

Frank DeMarte

BBus, FGIA, FCIS, FAICD

The Company Secretary is Frank DeMarte. Mr DeMarte has held executive positions with a number of listed mining and exploration companies and is currently an executive director and chief financial officer of the Company.

Mr DeMarte is experienced in areas of secretarial practice, management accounting and corporate and financial management. Mr DeMarte holds a bachelor of business majoring in accounting and is a fellow of the Governance Institute of Australia, a fellow of the Australian Institute of Chartered Secretaries and Administrators and a fellow of the Institute of Company Directors. Mr DeMarte was re-appointed the Company Secretary on 22 August 2013.

Interest in the Shares and Options of the Company

As at the date of this report, the interests of the directors and key management personnel in shares and options of Magnetite Mines Limited were:

Director and Key Management Personnel	Number of ordinary shares	Number of options over ordinary shares
Peter J Schubert[1]	27,988,911	25,297,782
Frank DeMarte	5,766,135	5,953,000
Malcolm R J Randall	2,681,312	5,503,096

Note:
1 P J Schubert was appointed as Executive Chairman on 3 September 2018.

Dividends

No dividends were paid or declared since the start of the financial year. No recommendation for the payment of dividends has been made.

Principal Activities

The principal activity of the consolidated entity during the year was mineral exploration in Australia. There were no significant changes in the nature of those activities during the year.

Significant Changes in the State of Affairs

There was no significant change in the state of affairs of the consolidated entity during the financial year not otherwise dealt with in this report.

Performance in Relation to Environmental Obligations

The consolidated entity has assessed whether there are any particular or significant environmental regulations which apply. It has been determined that the risk of non-compliance is low, and has not identified any compliance breaches during the financial year. The directors are not aware of any environmental regulations not being complied with.

Events After the Balance Date

Since the end of the financial year, the directors are not aware of any other matter or circumstance not otherwise dealt with in this report or the financial statements that has significantly or may significantly affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in subsequent financial years with the exception of the following, the financial effects of which have not been provided for in the 30 June 2019 financial statements:

1) 8,000,000 unquoted employee options with an exercise price of 4.5 cents each expired on 5 August 2019.

2) Amendments to the Redeemable Convertible Notes:

In September 2019, the Company entered into a Heads of Agreement (HOA) with the liquidators of Mintech Resources Pty Ltd (in liquidation) (Mintech) to amend the terms of the redeemable convertible notes (Notes) held by Mintech.

The Notes were originally issued to Mintech on 31 August 2015 following a renegotiation of the terms of a tenement sale agreement between the Company and Mintech for the acquisition by the Company of the Razorback Project.

Pursuant to the HOA, the parties have agreed to adjust the face value of the Notes by agreeing to certain offsets to which the Company is entitled and by incorporating and deferring payments due and have agreed to make the following changes to the Notes:

	Existing terms	Proposed amendments
Maturity Date:	31 August 2019	31 August 2023
Interest:	7% per annum	5% per annum
Face value:	$2,500,000	$1,975,000

Pursuant to the existing terms of the Notes, the Company had the right to extend the term of the Notes by 12 months by making a $250,000 extension fee payment.

The significant reduction in the face value of the Notes follows agreement with the liquidators of Mintech that certain amounts agreed to be paid to Mintech (including the extension fee payment of $250,000) be offset against a larger amount that Mintech was obligated to pay the Company in connection with the Company's costs of historical litigation in respect of the Razorback Project from 2010-2012.

The Company advises that the liquidators of Mintech have also agreed to a deferred payment plan for the current $175,000 interest payment due on the Notes, such that $75,000 was paid on 13 September 2019, and $50,000 is payable by 31 December 2019 and the remaining $50,000 is payable by 30 April 2020.

There is no change to the redemption or conversion of the Notes, which as previously disclosed permits the Company, at least five days before maturity or redemption of the Notes, to elect to:

- redeem the Notes for cash to the face value of the Notes;
- convert the face value into fully paid ordinary shares of the Company at a price equivalent to the Company's VWAP over 90 consecutive days; or
- a combination of cash and fully paid ordinary shares per the conversion formula above.

The amendments above are subject to the receipt of approval of the creditors of Mintech, following which the parties will execute formal agreements to document the changes. The Company understands the liquidators will call a Mintech creditors' meeting for mid-October 2019.

3) Executive Chairman Provides Loan to Company

In September 2019, the Company's Executive Chairman, Mr Peter Schubert (Lender) provided the Company with an unsecured loan of $200,000 (Loan) pursuant to a Convertible Loan Agreement to assist the Company with its general working capital requirements.

The terms of the Convertible Loan Agreement are as follows:

Loan Amount: $200,000;

Interest: 5% per annum. Interest which accrues on the Loan will be capitalised and is payable on the earlier of the date on which the Loan is repaid in full and the Repayment Date;

Repayment Date: The Loan is repayable on the date that is six months after the date of the Convertible Loan Agreement (or such later date as may be agreed between the parties in writing). If there is an event of default, the Lender may demand repayment of the Loan and payment of any interest, immediately. The Company can prepay the Loan at any time;

Establishment Fee: Subject to and conditional upon the Company obtaining the approval of its members in general meeting by the requisite majority for the purposes of ASX Listing Rule 10.11 and section 208 of the Corporations Act 2001 (Cth) (Corporations Act) , the Company must pay to the Lender an establishment fee (Establishment Fee), which will be satisfied by the issue to the Lender of 40,000,000 options exercisable at $0.01 each on or before the date that is three years from the date of issue of the options;

Conversion Right: Subject to and conditional upon the Company obtaining the approval of its members in general meeting by the requisite majority for the purposes of ASX Listing Rule 10.11 and section 208 of the Corporations Act, the Lender can elect to convert all or part of the Loan and any interest amount into fully paid ordinary shares at the price equal to a 10% discount to the VWAP for the 15 Trading Days prior to the date of the conversion notice.

Share Options

Shares under option

As at the date of this report, there were 234,624,545 unissued ordinary shares of the Company under options.

Date options granted	Expiry date	Exercise price of options ($)	Number of options
Unquoted options			
27 Nov 2015	26 Nov 2020	0.02	10,000,000
26 Apr 2016	26 Apr 2021	0.02	3,000,000
25 Aug 2016	24 Aug 2021	0.045	1,000,000
8 Sep 2016	7 Sep 2021	0.025	3,000,000
1 Dec 2016	30 Nov 2021	0.02	10,000,000
6 Dec 2016	5 Dec 2021	0.10	5,000,000
19 Mar 2019	18 Mar 2022	0.015	6,500,000
6 Jun 2017	5 Jun 2022	0.04	3,000,000
6 Jul 2017	5 Jul 2022	0.04	7,500,000
1 Dec 2017	30 Nov 2022	0.05	10,000,000
5 Jun 2018	4 Jun 2023	0.035	3,000,000
Quoted options			
18 May 2018	31 May 2021	0.05	172,624,545

As at the date of this report 172,624,545 quoted options and 62,000,000 unquoted options have been issued. Option holders do not have any right, by virtue of the option, to participate in any share issue of the Company or other interest in the Company or any other entity.

Shares Issued as a Result of the Exercise of Options and Options Expired/Lapsed

During the financial year and to the date of this report;

Options expired

(i) 5,300,000 unquoted options with an exercise price of 2 cents each expired on 7 October 2018.
(ii) 6,500,000 unquoted options with an exercise price of 10 cents each expired on 31 October 2018.
(iii) 1,000,000 unquoted options with an exercise price of 2 cents each expired on 12 January 2019.
(iv) 8,000,000 unquoted options with an exercise price of 4.5 cents each expired on 5 August 2019.

Options lapsed

(i) 10,000,000 unquoted options with an exercise price of 4.4 cents each lapsed on 2 September 2018.
(ii) 10,000,000 unquoted options with an exercise price of 3.7 cents each lapsed on 2 September 2018
(iii) 10,000,000 unquoted options with an exercise price of 4 cents each lapsed on 2 September 2018

Operating Results

During the year the consolidated entity incurred a consolidated loss after tax of $1,344,664 (2018: loss $3,523,581).

Corporate Information

Magnetite Mines Limited	Parent entity
Razorback Iron Pty Ltd	100% owned controlled entity
Razorback Operations Pty Ltd	100% owned controlled entity
Red Dragon Mining Pty Ltd	100% owned controlled entity
Ironback Pty Ltd	100% owned controlled entity

Corporate Governance Statement

A copy of Magnetite Mines Limited Corporate Governance Statement is available on its website at www.magnetitemines.com under the section marked "Corporate".

Remuneration Report (audited)

This report outlines the remuneration arrangements in place for directors and executives of the consolidated entity.

(a) Details of key management personnel

Directors

P J Schubert	Executive Chairman (appointed on 3 September 2018)
G L Toll	Chairman (Resigned on 2 September 2018)
F DeMarte	Executive Director
M R J Randall	Non-Executive Director

Executive

F DeMarte	Company Secretary & Chief Financial Officer

(b) Compensation of key management personnel

Remuneration policy

The performance of the consolidated entity depends upon the quality of its directors and executives. To prosper, the consolidated entity must attract, motivate and retain highly skilled directors and executives.

To this end, the consolidated entity embodies the following principles in its compensation framework:

- Provide competitive rewards to attract high calibre executives; and
- Link executive rewards to shareholder value.

Remuneration committee

The remuneration committee comprises a majority of independent directors of the consolidated entity and is responsible for determining and reviewing compensation arrangements for the directors and all other key management personnel.

The remuneration committee assesses the appropriateness of the nature and amount of compensation of key management personnel on an annual basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality board and executive team.

Remuneration structure

In accordance with best practice corporate governance, the structure of non-executive director and executive compensation is separate and distinct.

Non-executive director compensation

Objective

The board seeks to set aggregate compensation at a level that provides the consolidated entity with the ability to attract and retain directors of the highest calibre, whilst incurring a cost that is acceptable to shareholders.

Structure

The constitution and the ASX listing rules specify that the aggregate compensation of non-executive directors shall be determined from time to time by a general meeting. An amount not exceeding the amount determined is then divided between the directors as agreed. The latest determination was at the annual general meeting held on 26 November 2009 when shareholders approved an aggregate compensation of $400,000 per year.

The amount of aggregate compensation sought to be approved by shareholders and the manner in which it is apportioned amongst directors is reviewed annually. The board considers advice from external consultants as well as the fees paid to non-executive directors of comparable companies when undertaking the annual review process.

Each director receives a fee for being a director of the consolidated entity. An additional fee may also be paid for each board committee on which a director sits. The payment of additional fees for serving on a committee recognises the additional time commitments required by directors who serve on one or more sub committees.

Non-executive directors have long been encouraged by the board to hold shares in the Company (purchased by the director on market). It is considered good governance for directors to have a stake in the Company on whose board they sit.

The compensation of non-executive directors for the year ended 30 June 2019 is detailed as per the disclosures on page 14.

Executive compensation

Objective

The entity aims to reward executives with a level and mix of compensation commensurate with their position and responsibilities within the entity so as to:

- reward executives for Company, business unit and individual performance against targets set by to appropriate benchmarks;
- align the interests of executives with those of shareholders;
- link rewards with the strategic goals and performance of the Company; and
- ensure total compensation is competitive by market standards

Structure

In determining the level and make-up of executive remuneration, the remuneration committee will review individual performance, relevant comparative compensation in the market and internally and, where appropriate, external advice on policies and practices. As at the date of this report, Mr Peter Schubert has an employment contract dated 10 January 2017 (refer page 15). Frank DeMarte does not have an Executive Services Agreement as at the date of this report.

Fixed compensation

Objective

Fixed compensation is reviewed annually by the remuneration committee. The process consists of a review of Companywide, business unit and individual performance, relevant comparative compensation in the market and internally and, where appropriate, external advice on policies and practices.

Structure

Executives are given the opportunity to receive their fixed remuneration in a variety of forms including cash and fringe benefits such as motor vehicles and expense payment plans. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost for the Company.

REMUNERATION REPORT (AUDITED) *CONTINUED*

Other compensation

Notwithstanding guideline 8.2 of the ASX Corporate Governance Council Principles of Good Corporate Governance and Best Practice Recommendations which provides that non-executive directors should not receive options, the directors consider that the grant of the options is designed to encourage the directors to have a greater involvement in the achievement of the Company's objectives and to provide an incentive to strive to that end by participating in the future growth and prosperity of the Company through share ownership.

Under the Company's current circumstances, the granting of options is an incentive to each of the directors, which is a cost effective and efficient reward for the Company, as opposed to alternative forms of incentive, such as the payment of additional cash compensation to the directors. The Company has not used the services of a remuneration consultancy company during the year.

Remuneration of each director and key management personnel of the Company

Remuneration for the year ended 30 June 2019

Directors	Year	Salary and fees $	Annual leave accrual $	Superannuation $	Share based Payments Options $	Long service leave $	Total remuneration $	Consisting of options for the year %
Executive directors								
P J Schubert[1]	2019	100,000	8,886	9,500	-	-	118,386	-
	2018	100,000	13,876	9,500	210,000	-	333,376	63%
G L Toll[2]	2019	-	-	-	-	-	-	-
	2018	-	-	-	-	-	-	-
F DeMarte[3]	2019	90,000	-	8,550	-	-	98,550	-
	2018	90,000	-	8,550	-	-	98,550	-
Non-executive directors								
M R J Randall	2019	49,048	-	4,660	-	-	53,708	-
	2018	49,048	-	4,660	-	-	53,708	-
Total	2019	239,048	8,886	22,710	-	-	270,644	-
	2018	239,048	13,876	22,710	210,000	-	485,634	43%

Note:

1 P J Schubert was appointed as Chairman on 3 September 2018

2 G L Toll resigned as Executive Chairman, Director and CEO on 2 September 2018

3 There's no formal employment agreement entered or previous agreements have expired between the Company and F DeMarte since he became a Chief Financial Officer & Company Secretary on 22 August 2013. The remuneration paid during the year has been disclosed in the remuneration table above.

REMUNERATION REPORT (AUDITED) *CONTINUED*

Employment agreement for a Director

As at the date of this report, Mr Peter Schubert has an Executive Agreement dated 10 January 2017 as per below terms. Mr Schubert's receives a base salary of $100,000 effective from 9 December 2016, reviewed annually.

Name	Base salary	Terms of Engagement	Notice Period
P J Schubert	$100,000	No fixed term	1 month

Share-based compensation options

Compensation options: Granted and vested during the year ended 30 June 2019.

	Vested & granted		Terms & conditions for each grant					
30 June 2019	Number of options	Grant date	Fair Value per option at grant date $	Exercise price per option $	Expiry date	First exercise date/vesting date	Last exercise date	% vested and exercisable at 30 June 2019
Directors								
P J Schubert[1]	-	-	-	-	-	-	-	-
G L Toll[2]	-	-	-	-	-	-	-	-
F DeMarte	-	-	-	-	-	-	-	-
M R J Randall	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-	-

Note:

1 P J Schubert was appointed as Executive Chairman on 3 September 2018

2 G L Toll resigned as Executive Chairman, Director and CEO on 2 September 2018

Remuneration Report (audited) *continued*

Options granted as part of remuneration

The Company has established an Option Incentive Plan, which directors and executive are eligible to participate in.

The directors consider that the grant of options to executive directors encourages the directors to have a greater involvement in the achievement of the Company's objectives and to provide an incentive to strive to that end by participating in the future growth and prosperity of the Company through share ownership. Under the Company's current circumstances, the granting of options is an incentive intended to each executive director, which is a cost effective and efficient means for the Company to provide a reward and an incentive, as opposed to alternative forms of incentive, such as the payment of additional cash compensation.

Under the Company's current circumstances, the directors consider that the issue of options to non-executive directors represents a cost-effective way for the Company to remunerate those directors, as opposed to cash remuneration and it is designed to attract and retain suitably qualified non-executive directors, and to align their interests with the interests of other security holders.

The Option Incentive Plan includes provisions that if the Board becomes aware of a material misstatement in the Company's financial statements or some other event has occurred which, as a result, means that the vesting conditions in respect of certain vested options were not, or should not have been determined to have been, satisfied, then the holder will cease to be entitled to those vested options (Affected Options) and the Board may take various actions, including: cancelling the relevant Affected Options for no consideration; requiring that the holder pay to the Company the after tax value of the Affected Options which have been converted into Shares or adjusting fixed remuneration, incentives or participation in the option incentive plan of a relevant holder in the current year or any future year to take account of the after tax value of the Affected Options.

Details of options over ordinary shares in the Company provided as remuneration to each director of the Company and each of the key management personnel are set out below. Each option when exercised is convertible into one ordinary share in the Company.

Vesting conditions

Options issued to directors and employees during the current financial year vest on grant date. For details on the valuation of the options, including models and assumptions used, please refer to note 23. There were no alterations to the terms and conditions of options granted as remuneration since their grant date.

Clawback policy

The Company's Option Incentive Plan includes provisions that if the Board becomes aware of a material misstatement in the Company's financial statements or some other event has occurred which, as a result, means that the vesting conditions in respect of certain vested options were not, or should not have been determined to have been, satisfied, then the holder will cease to be entitled to those vested options (Affected Options) and the Board may take various actions, including: cancelling the relevant Affected Options for no consideration; requiring that the holder pay to the Company the after tax value of the Affected Options which have been converted into Shares or adjusting fixed remuneration, incentives or participation in the option incentive plan of a relevant holder in the current year or any future year to take account of the after tax value of the Affected Options.

Equity instruments – audited

Analysis of options and rights over equity instruments granted as compensation.

Details of vesting profiles of the options granted as remuneration to each director and key management person of the Group outstanding as at 30 June 2019 are detailed below.

	Number of options granted	Grant date of options	Exercise Price of Options $	Fair value of options on grant date $	Expiry date
Executive directors					
P J Schubert	10,000,000	1 Dec 2016	0.02	270,000	30/11/2021
	10,000,000	1 Dec 2017	0.05	210,000	30/11/2022
F DeMarte	5,000,000	27/11/2015	0.02	35,000	26/11/2020
Non - executive directors					
M R J Randall	5,000,000	27/11/2015	0.02	35,000	26/11/2020

Options are fully vested on date of grant.

Remuneration Report (audited) *CONTINUED*

Analysis of movements in options

The movement during the reporting period, by value, of options over ordinary shares in the Company held by each director and key management person is detailed below.

Directors and Executive	Granted in year $(a)	Value of options exercised in year $(b)
Directors		
P J Schubert[1]	-	-
G L Toll[2]	-	-
F DeMarte	-	-
M R J Randall	-	-

Note:
1 P J Schubert was appointed as Executive Chairman on 3 September 2018
2 G L Toll resigned as Executive Chairman, Director and CEO on 2 September 2018

(a) The value of options granted in the year is the fair value of the options calculated at grant date using the Black-Scholes option-pricing model. The total value of the options granted is included in the table above.

(b) The value of options exercised during the year is calculated as the market price of shares of the Company as at close of trading on the date the options were exercised after deducting the price paid to exercise the option.

(c) 10,000,000 options granted to Mr G L Toll on 01/12/16 with an exercise price of 4.4 cents each and an expiry date of 30/11/21, lapsed on 02/09/18.

10,000,000 options granted to Mr G L Toll on 01/12/16 with an exercise price of 3.7 cents each and an expiry date of 30/11/21, lapsed on 02/09/18.

10,000,000 options granted to Mr G L Toll on 09/01/17 with an exercise price of 4 cents each and an expiry date of 08/01/22, lapsed on 02/09/18.

1,500,000 options granted to Mr F DeMarte on 28/11/13 with an exercise price of 10 cents each expired on 31/10/18.

1,500,000 options granted to Mr M R J Randall on 28/11/13 with an exercise price of 10 cents each expired on 31/10/18.

Directors and Executive Disclosure

Shareholdings of directors and key management personnel

The number of shares in the Company held during the financial year by each director and other key management personnel of the Company, including their personally related parties, are set out below.

30 June 2019	Balance 01-Jul-18 Ord	Granted as remuneration Ord	On exercise of options Ord	Net change other Ord	Balance 30-Jun- 19 Ord
Directors					
P J Schubert[1]	26,988,911	-	-	-	26,988,911
G L Toll[2]	108,476,509	-	-	(108,476,509)	-
F DeMarte	4,766,135	-	-	-	4,766,135
M R J Randall	2,515,479	-	-	-	2,515,479
Total	142,747,034	-	-	(108,476,509)	34,270,525

Note:
1 P J Schubert was appointed as Executive Chairman on 3 September 2018
2 G L Toll resigned as Executive Chairman, Director and CEO on 2 September 2018

30 June 2018	Balance 01-Jul-17 Ord	Granted as remuneration Ord	On exercise of options Ord	Net change other Ord	Balance 30-Jun- 18 Ord
Directors					
P J Schubert	20,991,129	-	-	5,997,782	26,988,911
G L Toll	95,876,509	-	12,600,000	-	108,476,509
F DeMarte	3,813,135	-	-	953,000	4,766,135
M R J Randall	2,012,383	-	-	503,096	2,515,479
Total	122,693,156	-	12,600,000	7,453,878	142,747,034

REMUNERATION REPORT (AUDITED) *CONTINUED*

DIRECTORS AND EXECUTIVE DISCLOSURES *CONTINUED*

Options holding of directors and key management personnel

30 June 2019	Balance at beginning of year 01-Jul-18	Granted as remuneration	Options exercised	Net change other	Balance at end of year 30-Jun-19	Total	Vested at 30 June 2019 Exercisable	Not exercisable
Directors								
P J Schubert[1]	25,297,782	-	-	-	25,297,782	25,297,782	25,297,782	-
G L Toll[2]	30,000,000	-	-	(30,000,000)	-	-	-	-
F DeMarte	7,453,000	-	-	(1,500,000)	5,953,000	5,953,000	5,953,000	-
M R J Randall	7,003,096	-	-	(1,500,000)	5,503,096	5,503,096	5,503,096	-
Total	69,753,878	-	-	(33,000,000)[3,4,]	36,753,878	36,753,878	36,753,878	-

Note:

1 P J Schubert was appointed as Executive Chairman on 3 September 2018
2 G L Toll resigned as Executive Chairman, Director and CEO on 2 September 2018
3 30,000,000 options lapsed on 2 September 2018
4 3,000,000 options expired on 31 October 2018

30 June 2018	Balance at beginning of year 01-Jul-17	Granted as remuneration	Options exercised	Net change other	Balance at end of year 30-Jun-18	Total	Vested at 30 June 2018 Exercisable	Not exercisable
Directors								
P J Schubert[1]	10,000,000	10,000,000	-	5,297,782	25,297,782	25,297,782	25,297,782	-
G L Toll[2]	42,600,000	-	(12,600,000)	-	30,000,000	30,000,000	30,000,000	-
F DeMarte	8,000,000	-	-	(547,000)	7,453,000	7,453,000	7,453,000	-
M R J Randall	8,000,000	-	-	(996,904)	7,003,096	7,003,096	7,003,096	-
Total	68,600,000	10,000,000	(12,600,000)	3,753,878[3,4]	69,753,878	69,753,878	69,753,878	-

Note:

1 P J Schubert was appointed as Executive Chairman on 3 September 2018
2 G L Toll resigned as Executive Chairman, Director and CEO on 2 September 2018
3 3,000,000 options expired on 27 November 2017.
4 6,753,878 quoted options were issued as part of the renounceable rights issue.

END OF DIRECTORS' REMUNERATION REPORT (AUDITED)

Directors' Meetings

The number of meetings of directors (including meeting of committees of directors) held during the year and the number of meetings attended by each director are:

Name	Board of directors' meetings		Audit committee meetings		Remuneration committee meetings		Nomination committee meetings	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended
P J Schubert[1]	3	3	-	-	-	-	-	-
G L Toll[2]	1	1	-	-	-	-	-	-
F DeMarte	3	3	2	2	-	-	-	-
M R J Randall	3	3	2	2	-	-	-	-

Note:
1 P J Schubert was appointed as Executive Chairman on 3 September 2018
2 G L Toll resigned as Executive Chairman, Director and CEO on 2 September 2018

Committee Memberships

As at the date of this report, the Company had an audit and remuneration committee. The role of the nomination committee is carried out by the full board.

Audit	Remuneration	Nomination
M R J Randall (C)	M R J Randall (C)	P J Schubert(C)
Frank DeMarte	F DeMarte	M R J Randall
		F DeMarte

Note: (C) Designates the chairman of the committee

All equity transactions with key management personnel other than those arising from the exercise of remuneration options have been entered into under terms and conditions no more favourable than those the Company would have adopted if dealing at arm's length.

Insurance of Directors and Others

During the financial year $17,723 was paid to insure the directors and officers of the Company for the period 31 July 2018 to 31 July 2019. In terms of the policy, no specific amounts are allocated to individual directors.

Proceedings on Behalf of the Company

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Consolidated Entity is a party for the purpose of taking responsibility on behalf of the Company for all or any part of the proceedings.

The Company was not a party to any such proceedings during the year.

Auditor Independence and Non-Audit Services

The auditor's independence declaration for the year ended 30 June 2019 has been received and can be found on page 57.

Non-Audit Services

Stantons International or its related parties have not received nor are they due to receive any amounts for the year ended 30 June 2019 for the provision of non-audit services.

DIRECTORS' REPORT

Operations and Financial Review

Operations

Magnetite Mines Limited is a mineral exploration company, transitioning to mine developer. The Group has continued to progress studies and search for a strategic partner to progress the Razorback Iron Project to the next phase. The Group is also continuing its search for other projects.

In this tough economic climate, the Group has had to rationalise both project and corporate expenditure including but not limited to staff redundancies. While every effort will be made to retain staff going forward, additional redundancies may be necessary to ensure the survival of the Company.

Result for the year

Operations in the financial year ended 30 June 2019 have resulted in a loss of $1.34 million compared to last year's loss of $3.52 million.

Signed in accordance with a resolution of the directors.

Frank DeMarte
DIRECTOR

30 September 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Year Ended 30 June 2019

	Notes	2019 $	2018 $
Other income	4(a)	-	139,229
Exploration expenditure	11	(13,180)	(52,539)
Loss on sale of office, plant and equipment	4(b)	(6,183)	(907)
Employee benefits		(537,285)	(627,637)
Share based payment expense	15(d)	(15,561)	(563,566)
Professional fees		(294,701)	(863,142)
Depreciation and amortisation		(15,468)	(30,448)
General and administrative costs		(221,831)	(441,068)
Other expenses		(57,899)	(75,890)
Interest expense		(175,000)	(175,000)
Non-recovery of loan to related party		(21,976)	(847,276)
(Loss)/profit before finance costs		(1,359,084)	(3,538,244)
Finance income		15,552	16,089
Finance costs		(1,132)	(1,426)
Operating (loss)/profit before income tax		(1,344,664)	(3,523,581)
Income tax expense	5(a)	-	-
(Loss)/profit from continuing operations after income tax		(1,344,664)	(3,523,581)
(Loss)/profit for the year after tax		(1,344,664)	(3,523,581)

CONTINUED

	Notes	2019 $	2018 $
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:		-	-
Items that will not be reclassified to profit or loss		-	-
Total comprehensive (loss)/income for the year, net of tax		(1,344,664)	(3,523,581)
(Loss)/profit for the year attributable to members of the Company		(1,344,664)	(3,523,581)
Total comprehensive (loss)/income for the year, net of tax, attributable to the members of the Company		(1,344,664)	(3,523,581)
Earnings per share from continuing operations attributable to the ordinary equity holders of the Company			
Basic (loss)/earnings per share (cents per share)	6(a)	(0.18)	(0.62)
Diluted (loss)/earnings per share (cents per share)	6(c)	(0.18)	(0.62)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

	Notes	2019 $	2018 $
ASSETS			
Current assets			
Cash and cash equivalents	7(a)	227,736	1,744,347
Trade and other receivables	8(a)	14,914	109,550
Total current assets		242,650	1,853,897
Non-current assets			
Trade and other receivables	8(b)	32,588	42,988
Plant and equipment	10	38,858	59,197
Exploration expenditure	11	9,117,768	8,884,326
Intangible assets	12	215	429
Total non-current assets		9,189,429	8,986,940
TOTAL ASSETS		9,432,079	10,840,837
LIABILITIES			
Current liabilities			
Trade and other payables	13	203,561	585,802
Provisions	14	59,728	54,182
Convertible loan note liability	25	2,500,000	-
Total current liabilities		2,763,289	639,984
Non-current liabilities			
Convertible loan note liability	25	-	2,500,000
Total Non-current liabilities		-	2,500,000
TOTAL LIABILITIES		2,763,289	3,139,984

CONTINUED

	Notes	2019 $	2018 $
NET ASSETS		6,668,790	7,700,853
EQUITY			
Contributed equity	15(a)	52,621,691	52,324,651
Reserves	15(d)	10,549,482	10,533,921
Accumulated losses		(56,502,383)	(55,157,719)
TOTAL EQUITY		6,668,790	7,700,853

The above consolidated statement of financial position is to be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Year Ended 30 June 2019

	Notes	Contributed Equity	Reserves	Accumulated Losses	Total
		$	$	$	$
At 1 July 2018		52,324,651	10,533,921	(55,157,719)	7,700,853
Total Comprehensive income/(loss) for the year					
(Loss) for the year		-	-	(1,344,664)	(1,344,664)
Total comprehensive income/(loss) for the year		-	-	(1,344,664)	(1,344,664)
Transaction with owners recorded directly in equity:					
Contribution of equity, net of transaction costs	15 (b)	297,040	-	-	297,040
Recognised value of share based payments	15 (d)	-	15,561	-	15,561
At 30 June 2019		52,621,691	10,549,482	(56,502,383)	6,668,790
At 1 July 2017		49,631,512	9,970,355	(51,634,138)	7,967,729
Total Comprehensive income/(loss) for the year					
(Loss) for the year		-	-	(3,523,581)	(3,523,581)
Total comprehensive income/(loss) for the year		-	-	(3,523,581)	(3,523,581)
Transaction with owners recorded directly in equity:					
Contribution of equity, net of transaction costs	15 (b)	2,693,139	-	-	2,693,139
Recognised value of share based payments	15 (d)	-	563,566	-	563,566
At 30 June 2018		52,324,651	10,533,921	(55,157,719)	7,700,853

The above consolidated statement of changes in equity is to be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year Ended 30 June 2019

	Notes	2019 $	2018 $
Cash flows from operating activities			
Payments to suppliers and employees		(1,149,857)	(2,095,723)
Interest received		13,701	14,815
Interest paid		(350,000)	-
Other income	4(a)	-	139,229
Net cash flows (used in) operating activities	7(b)	(1,486,156)	(1,941,679)
Cash flows from investing activities			
Payment for plant and equipment	10	(5,575)	(8,018)
Redemption/(placement) of security deposits	8(b)	10,400	-
Proceeds from disposal of plant and equipment		4,925	2,950
Payment for exploration and evaluation expenditure		(214,909)	(538,114)
Loan to Lodestone		(122,336)	(825,100)
Proceeds from related party		-	50,000
Repayment to related party		-	(50,000)
Repayment of loan from Gordon Toll		-	237,344
Net cash flows (used in) investing activities		(327,495)	(1,130,938)

CONTINUED

	Notes	2019 $	2018 $
Cash flows from financing activities			
Proceeds from issuance of shares net of capital raising costs	15(b)	297,040	2,617,319
Net cash flows from financing activities		297,040	2,617,319
Net decrease in cash and cash equivalents		(1,516,611)	(455,298)
Cash and cash equivalents at beginning of the financial year		1,744,347	2,199,645
Cash and cash equivalents at end of the financial year	7(a)	227,736	1,744,347

The above consolidated statement of cash flows is to be read in conjunction with the accompanying notes.

1. Corporate Information

This financial report includes the consolidated financial statements and notes of Magnetite Mines Limited and its controlled entities ("consolidated entity or Group").

The financial report of Magnetite Mines Limited (the "Company") for the year ended 30 June 2019 was authorised for issue in accordance with a resolution of the directors on 30 September 2019.

The Company is limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the Australian Securities Exchange Ltd.

The nature of the operations and principal activities of the Group are described on page 10 of the Directors' Report.

Separate financial statements of the Company as an individual entity are no longer presented as the consequences of a change to the Corporations Act 2001, however required financial information for the Company as an individual entity is included in note 19.

2. Summary of Significant Accounting Policies

(a) Basis of preparation

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001* and Australian Accounting Standards (including Australian Accounting Standards and Interpretations). The financial report has also been prepared on a historical cost basis and the accruals basis, modified where applicable by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

Going concern

The accounts have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and liabilities in the normal course of business

The group recorded a loss of $1,344,664 for the year ended 30 June 2019. Total exploration expenditure written off in the year is $13,180 and no provision for impairment loss was made. The group had cash assets of $227,736 at 30 June 2019. The net working capital deficiency is $2,520,639 (2018: Working capital surplus $1,213,913)

The directors consider these funds, combined with additional funds from any capital raising to be sufficient for the planned expenditure on the mineral projects for the ensuing 12 months as well as for corporate and administrative overhead costs. The directors also believe that they have the capacity to raise additional capital should that become necessary. For these reasons, the directors believe the going concern basis of preparation is appropriate.

Subsequent to the year end, the Company's Executive Chairman, Mr Peter Schubert provided the Company with an unsecured loan of $200,000 pursuant to a Convertible Loan Agreement, to assist the Company with its general working capital requirements. Details of the terms and conditions of the loan are provided on page 52.

Statement of compliance

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). The financial report also complies with International Financial Reporting Standards (IFRS).

Principles of Consolidation

The consolidated financial statements incorporate all of the assets, liabilities and results of the parent (Magnetite Mines Limited) and all of the subsidiaries. Subsidiaries are entities the parent controls. 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. A list of the subsidiaries is provided in note 9.

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

Equity interests in a subsidiary not attributable, directly or indirectly, to the Group are presented as "non-controlling interests". The Group initially recognises non-controlling interests that are present ownership interests in subsidiaries and are entitled to a proportionate share of the subsidiary's net assets on liquidation at either fair value or at the non-controlling interests' proportionate share of the subsidiary's net assets.

Subsequent to initial recognition, non-controlling interests are attributed their share of profit or loss and each component of other comprehensive income. Non-controlling interests are shown separately within the equity section of the statement of financial position and statement of profit or loss and other comprehensive income.

2. Summary of Significant Accounting Policies *continued*

(b) Application of new and revised Accounting Standards

Amendments to Accounting Standards and new Interpretations that are mandatorily effective for the current year

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

New and revised Standards and amendments thereof and Interpretations effective for the current year that are relevant to the Group include:

- AASB 9 Financial Instruments and related amending Standards.
- AASB 15 Revenue from Contracts with Customers and relating amending Standards.
- AASB 2016-5 Amendments to Australian Accounting Standards – Classification and Measurements of Share-based Payment Transactions.

AASB 9 Financial Instruments and related amending Standards

The Standard replaces AASB 139 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment, and hedge accounting.

AASB 15 Revenue from Contracts with Customers and relating amending Standards.

The Standard replaces the current accounting requirements applicable to revenue with a single, principles-based model. Apart from a limited number of exceptions, including leases, the new revenue model in AASB 15 applies to all contracts with customers as well as non-monetary exchanges for goods and services. AASB 15 provides the following five-step process:

- identify the contract(s) with the customer;
- identify the performance obligations in the contract(s);
- determine the transaction price;
- allocate the transaction price to the performance obligations in the contract(s); and
- recognise the revenue when (or as) the performance obligations are satisfied.

AASB 2016-5 Amendments to Australian Accounting Standards – Classification and Measurements of Share-based Payment Transactions.

The amendments to AASB 2 Share-based Payment addresses three main areas:

- the effect of vesting conditions on the measurement of a cash-settled share-based payment transaction;
- the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and
- accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

The adoption of these Amendments/Interpretation has had no significant impact on the disclosures or the amounts recognised in the Group's consolidated financial statements.

(c) New and revised Australian Accounting Standards and Interpretations on issue but not yet effective

At the date of authorisation of the financial statements, the Standards and Interpretations that were issued but not effective are listed below:

AASB 16: Leases applies to annual reporting periods beginning on or after 1 January 2019.

This Standard supersedes AASB 117 Leases, Interpretation 4 Determining whether an Arrangement contains a Lease, AASB interpretation 115 Operating Leases-Incentives and AASB interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of Lease. AASB 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under AASB 117.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *CONTINUED*

(c) New and revised Australian Accounting Standards and Interpretations on issue but not yet effective *continued*

The key features of AASB 16 are as follows:

- Lessees are required to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.
- A lessee measures right-of-use assets similarly to other non-financial assets and lease liabilities similarly to other financial liabilities.
- Assets and Liabilities arising from the lease are initially measured on a present value basis. The measurement includes non-cancellable lease payments (including inflation-linked payments), and also includes payments to be mad in optional periods if the lessee is reasonably certain to exercise an option to extend to lease, or not to exercise an option to terminate the lease.
- AASB 16 contains disclosure requirements for leases.

Lessor accounting

- AASB 16 substantially carries forward the lessor accounting requirements in AASB 117. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.
- AASB 16 also requires enhanced disclosures to be provided by lessors that will improve information disclosed about a lessor's risk exposure, particularly to residual value risk.

During the year, the Group had 2 leases which could be cancelled on 3 - 6 months notice with the total obligation being $21,917. The adoption of AASB 16 does not have a significant impact on the financial report.

Other standards not yet applicable

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

(d) Significant accounting estimates and assumptions

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimate and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

Share based payment transactions

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by either an external valuer or internally using a Black-Scholes option pricing model, using the assumptions detailed in note 23.

Mineral exploration and evaluation

Exploration and evaluation expenditure is accumulated in respect of each identifiable area of interest. The carrying values are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. A provision for impairment is based on the directors' best estimate of recoverable value.

Exploration and evaluation costs may be carried forward in respect of an area that has not at balance sheet date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active operations in or relating to, the area of interest are continuing.

Subsidiary intercompany loans

Provisions for write off of intercompany loans are made where there is significant uncertainty as to whether the loans are recoverable.

2. Summary of Significant Accounting Policies *continued*

Recovery of deferred tax assets

Judgment is required in determining whether deferred tax assets are recognised in the balance sheet. Deferred tax assets, including those arising from un-utilised tax losses require management to assess the likelihood that the Group will generate taxable earnings in future periods, in order to utilise recognised deferred tax assets. Deferred tax assets will not be recognised until the Group is able to generate a net taxable income.

Estimates of future taxable income will be based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Group to realise the net deferred tax assets recorded at the reporting date could be impacted.

Additionally, future changes in tax laws in the jurisdictions in which the Group operates could limit the ability of the Group to obtain tax deductions in future periods.

(e) Cash and cash equivalents

Cash and short-term deposits in the statement of financial position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as detailed above, net of any outstanding bank overdrafts.

(f) Trade and other receivables

Trade receivables, which generally have 30-90 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components when they are recognised at fair value. The Group holds the trade receivables with the objective to collect contractual cashflows and therefore measures them subsequently at amortised cost using the effective interest method. Details about the Group's impairment policies and calculations of the loss allowance are provided in note 2(y).

An allowance for doubtful debts is made when there is objective evidence that the Group will not be able to collect the debts. Bad debts are written off when identified.

(g) Income tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit not taxable profit or loss, or
- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

2. Summary of Significant Accounting Policies *continued*

(g) Income tax *continued*

The carrying amount of deferred income tax assets is reviewed at each balance sheet 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 balance sheet 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.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the assets are realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

(h) Other taxes

Revenues, expenses and assets are recognised net of amount of GST except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the assets or as part of the expense item as applicable; and
- receivables and payables, which are stated with the amount of GST included.

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

Cash flows are included in the cash flow statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

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

(i) Plant and equipment

Plant and equipment is stated at cost less any accumulated depreciation and any impairment in value.

Depreciation

The depreciable amount of all fixed assets is depreciated on a diminishing value basis over their useful lives to the Group commencing from the time the asset is held ready for use.

The depreciation rates used for each class of depreciable assets are:

Plant and equipment – over 4 to 10 years
Motor vehicles – over 4 years
Office furniture and equipment – over 3 years

Impairment

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

If any such indication exists and where the carrying value exceeds the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

The recoverable amount of plant and equipment is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the item value of money and the risks specific to the asset.

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the period the item is being derecognised.

2. Summary of Significant Accounting Policies *continued*

(j) Intangible assets

Intangible assets are made up of licences and software and are stated at cost less any accumulated amortisation and any impairment value.

Amortisation
The amortisation amount of all intangible assets are amortised on a straight line basis over two years of their useful lives to the Group commencing from the time the asset is held ready for use.

(k) Exploration, evaluation and development expenditure

Exploration, evaluation and development costs are accumulated in respect of each separate area of interest. Exploration and evaluation costs are carried forward where right of tenure of the area of interest is current and they are expected to be recouped through sale or successful development and exploitation of the area of interest or, where exploration and evaluation activities in the area of interest have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves. When an area of interest is abandoned or the directors decide that it is not commercial, any accumulated costs in respect of that area are written off in the financial period the decision was made.

Each area of interest is also reviewed at the end of each accounting period and accumulated costs written off to the extent that they may not be recoverable in the future. Amortisation is not charged on costs carried forward in respect of areas of interest in the development phase until production commences.

(l) Trade and other payables

Trade payables and other payables are carried at amortised costs and represent liabilities for goods and services provided by the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services.

Trade payables and other payables are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Group.

(m) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations and a reliable estimate can be made of the amount of the obligation.

When the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

(n) Earnings per share

(i) Basic earnings per share ("EPS") is calculated by dividing the net profit/loss attributable to members for the reporting period, after excluding any costs of servicing equity, by the weighted average number of ordinary shares of the Company, adjusted for any bonus issue.

(ii) Diluted EPS is calculated by dividing the basic EPS, adjusted by the after tax effect of financing costs associated with dilutive potential ordinary shares and the effect on net revenues and expenses of conversion to ordinary shares associated with dilutive potential ordinary shares, by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus issue.

(o) Contributed equity

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.

(p) Borrowing costs

Borrowing costs are recognised as an expense when incurred. Alternatively, borrowing costs can be capitalised for qualifying assets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *CONTINUED*

(q) Leases

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

Finance leases, which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as an expense in profit or loss.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term. Lease incentives are recognised in the income statement as an integral part of the total lease expense.

(r) Impairment of assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or Group of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs.

When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

(r) Impairment of assets *continued*

Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at re-valued amount (in which case the impairment loss is treated as a revaluation decrease).

An assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised.

If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at re-valued amount, in which case the reversal is treated as revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

(s) Investments

All investments are initially recognised at cost, being the fair value of the consideration given and including acquisition charges associated with the investment.

For investments which are deemed financial instruments, please refer to note 2(y).

2. Summary of Significant Accounting Policies *continued*

(t) Share-based payment transactions

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the Company (market conditions) if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the vesting period).

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects:

(i) the extent to which the vesting period has expired; and
(ii) the Company's best estimate of the number of equity instruments that will ultimately vest.

No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. The income statement charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of the period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is only conditional upon a market condition.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share (see note 6).

(t) Share-based payment transactions *continued*

(1) Cash settled transaction

The Group may provide benefits to employees in the form of cash-settled share-based payments, whereby employees render services in exchange for cash, the amounts of which are determined by reference to movements in the price of the shares of the Company.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share (see note 6).

The cost of cash-settled transactions is measured initially at fair value at the grant date using the Black-Scholes formula taking into account the terms and conditions upon which the instruments were granted (see note 23). This fair value is expensed over the period until vesting with recognition of a corresponding liability. The liability is remeasured to fair value at each balance sheet date up to and including the settlement date with changes in fair value recognised in profit or loss.

(2) Equity settled transactions

The Group provides benefits to employees (including senior executives) of the Group in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions).

There is currently one plan in place the employee option share plan, which provides benefits to all employees, excluding directors.

The cost of these equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an external valuer or internally using a Black-Scholes option pricing model, further details of which are given in note 23.

(u) Comparatives

When required by accounting standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

(v) Foreign currency translation

(i) Functional and presentation currency

The functional currency of the Company is measured using the currency of the primary economic environment in which the Company operates. The financial statements are presented in Australian dollars which is the Company's functional and presentation currency. The functional currency of all subsidiaries is Australian dollars.

(ii) Transaction and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year end exchange rate. Non-monetary items measured at historical costs continued to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

(iii) Group companies

The financial results and position of foreign operations whose functional currency is different from the Group's presentation currency are translated as follows:

Assets and liabilities are translated at year-end exchange rates prevailing at that reporting date. Income and expenses are translated at average exchange rates for the period. Retained profits are translated at the exchange rates prevailing at the date of the transaction.

(w) Revenue recognition

The Group has applied AASB 15 Revenue from Contracts with Customers using the cumulative effective method. Therefore, the comparative information has not been restated and continues to be presented under AASB 118 Revenue and AASB 111 Construction Contracts. The Group does not have any revenue from contracts with customers.

Interest income

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts though the expected life of the financial asset to that asset's net carrying amount on initial recognition.

(x) Interests in Joint Arrangements

Joint arrangements represent the contractual sharing of control between parties in a business venture where unanimous decisions about relevant activities are required.

Separate joint venture entities providing joint venturers with an interest to net assets are classified as a "joint venture" and accounted for using the equity method.

Joint venture operations represent arrangements whereby joint operators maintain direct interests in each asset and exposure to each liability of the arrangement. The Group's interests in the assets, liabilities, revenue and expenses of joint operations are included in the respective line items of the consolidated financial statements.

Gains and losses resulting from sales to a joint operation are recognised to the extent of the other parties' interests. When the Group makes purchases from a joint operation, it does not recognise its share of the gains and losses from the joint arrangement until it resells those goods/assets to a third party.

2. Summary of Significant Accounting Policies *continued*

(y) Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument. Financial instruments (except for trade receivables) are measured initially at fair value adjusted by transaction costs, except for those carried at 'fair value through profit or loss', in which case transaction costs are expensed to profit or loss. Where available, quoted prices in an active market are used to determine the fair value. In other circumstances, valuation techniques are adopted. Subsequent measurement of financial assets and financial liabilities are described below.

Trade receivables are initially measured at the transaction price if the receivables do not contain a significant financing component in accordance with AASB 15.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expired.

Classification and measurement

Financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with AASB 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments are classified into the following categories upon initial recognition:

- amortised cost;
- fair value through other comprehensive income (FVOCI); and
- fair value through profit or loss (FVPL).

Classifications are determined by both:

- the contractual cash flow characteristics of the financial assets; and
- the Group's business model for managing the financial asset.

(y) Financial instruments *continued*

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet with the following conditions (and are not designated as FVPL);

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows; and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

Financial assets at fair value through other comprehensive income

The Group measures debt instruments at fair value through OCI if both of the following conditions are met:

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding; and
- the financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling the financial asset.

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI.

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under AASB 132 Financial Instruments: Presentation and are not held for trading.

Financial assets at fair value through profit or loss (FVPL)

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *CONTINUED*

(y) Financial instruments *continued*

Financial liabilities

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Group designated a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss.
All interest-related charges and, if applicable, gains and losses arising on changes in fair value are recognised in profit or loss.

Impairment

From 1 July 2018, the Group assesses on a forward-looking basis the expected credit loss associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the Group applies the simplified approach permitted by AASB, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Comparative information

The Group has applied AASB 9 Financial Instruments retrospectively, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Group's previous accounting policy.

Classification

Until 30 June 2018, the Group classified its financial assets in the following categories:

- financial assets at fair value through profit or loss;
- loans and receivables;
- held-to-maturity investments; and
- available for sale financial assets

The classification depended on the purpose for which the investments were acquired

(y) Financial instruments *continued*

Management determined the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluated this designation at the end of each reporting period.

Fair value hierarchy

AASB 13 Fair Value Measurement requires the disclosure of fair value information by level of the fair value hierarchy, which categorises fair value measurements into one of three possible levels based on the lowest level that an input that is significant to the measurement can be categorised into as follows:

Level 1
Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2
Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3
Measurements based on unobservable inputs for the asset or liability.

The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data. If all significant inputs required to measure fair value are observable, the asset or liability is included in Level 2. If one or more significant inputs are not based on observable market data, the asset or liability is included in Level 3.

The Group would change the categorisation within the fair value hierarchy only in the following circumstances:

(i) if a market that was previously considered active (Level 1) became inactive (Level 2 or Level 3) or vice versa; or

(ii) if significant inputs that were previously unobservable (Level 3) became observable (Level 2) or vice versa.

When a change in the categorisation occurs, the Group recognises transfers between levels of the fair value hierarchy (i.e. transfers into and out of each level of the fair value hierarchy) on the date the event or change in circumstances occurred.

3. Segment Information

Description of segments

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

The Group has identified its operating segments based on the internal reports that are reviewed and used by the executive management team in assessing performance and in determining the allocation of resources.

During the year the Group operated in one operating segment and one geographical area, being mineral exploration in Australia. This is the basis on which internal reports are provided to the Directors for assessing performance and determining the allocation of resources in the Group.

	Consolidated (Australia)	
	2019	2018
	$	$
Segment Revenue		
Other income	-	139,229
Finance revenue	15,552	16,089
Total revenue	15,552	155,318
Segment result		
Segment result	(1,344,664)	(3,523,581)
Intersegment elimination	-	-
(Loss)/Gain before income tax	(1,344,664)	(3,523,581)
Income tax expense	-	-
(Loss)/Gain for the year	(1,344,664)	(3,523,581)
Segment assets and liabilities		
Segment assets	9,432,079	10,840,837
Intersegment elimination	-	-
Total assets	9,432,079	10,840,837
Segment liabilities	2,763,289	3,139,984
Intersegment elimination	-	-
Total liabilities	2,763,289	3,139,984
Other segment information		
Acquisition of property, plant and equipment and intangibles	5,575	5,027
Depreciation and amortisation expense	15,468	30,448
Non-recovery of loan to related party	21,976	847,276
Impairment expense on exploration assets	-	-

4. Other Income and Expenses

	Consolidated Group 2019 $	2018 $
(a) Other income		
Sundry income	-	165
Income tax benefit – Research and Development grant	-	139,064
	-	139,229
(b) Loss from disposal of plant and equipment		
Proceeds from disposal of plant and equipment	-	2,950
Less carrying value of disposed plant and equipment	-	(3,857)
Loss on disposal of plant and equipment	-	(907)
Loss from disposal of office equipment		
Proceeds from disposal of office equipment	4,477	-
Less carrying value of disposed office equipment	(10,660)	-
Loss on disposal of office equipment	(6,183)	-

5. Income Tax

	Consolidated Group 2019 $	2018 $
(a) Numerical reconciliation of income tax expense to prima facie tax payable		
(Loss)/profit before income tax from continuing operations	(1,344,664)	(3,523,581)
Prima facie tax benefit on loss from ordinary activities at 27.5% (2018: 27.5%)	(369,783)	(968,985)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Unlisted options	4,279	104,023
R&D Tax Refund	-	(38,243)
Fines and penalties	-	158
Entertainment	1,100	2,074
	(364,404)	(900,973)
Movements in unrecognised temporary differences	(496,016)	221,404
Tax effect of current year tax losses/(recoupment of losses) for which no deferred tax asset has been recognised	860,420	679,569
Income tax expense/(benefit)	-	-

5. INCOME TAX *CONTINUED*

	Consolidated Group 2019 $	2018 $
(b) Recognised temporary differences		
Deferred tax assets (at 27.5%)		
Prepayments	-	-
Property, plant and equipment	-	-
Investment held for sale	-	-
Provisions	-	-
Capital raising costs	-	-
Carry forward revenue tax losses	-	-
	-	-
Deferred tax liabilities (at 27.5%)		
Unearned revenue	-	-
Capitalised tenement acquisition and exploration costs	-	-
	-	-
Net recognised deferred tax liability	-	-
(c) Unrecognised temporary differences		
Deferred tax assets (at 27.5%, 2018: 27.5%)		
Prepayments	-	-
Provision for investment	-	342,220
Provisions for expense	64,923	115,253
Capital raising costs	204,765	214,378
Carry forward revenue tax losses	10,561,491	10,049,334
Carry forward capital tax losses	2,723,210	2,374,946
	13,554,389	13,096,131
Deferred tax liabilities (at 27.5%, 2018: 27.5%)		
Unearned revenue	6	549
Prepayments	1,804	2,593
Mineral Exploration	2,507,386	2,443,190
	2,509,196	2,446,332

Potential future income tax benefits attributable to total tax losses amounting to approximately $13,284,701 (2018: $12,424,280) at 2019 corporate tax rate of 27.5% (2018: 27.5%), have not been brought to account at 30 June 2019 because the directors do not believe it is appropriate to regard realisation of the future income tax benefits as probable. These benefits will only be obtained if:

(a) the Company derives future assessable income of a nature and of an amount sufficient to enable the benefit from the capital deductions to be realised;
(b) the Company continues to comply with the conditions for deductibility imposed by law; and
(c) no changes in tax legislation adversely affect the Company in realising the benefit from the deductions for the carry forward capital tax losses.

6. EARNINGS PER SHARE

(i) Basic earnings per share

Basic earnings per share are calculated by dividing the profit/(loss) after tax attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the year.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

	2019 Cents	2018 Cents
(a) Basic (loss)/earnings per share		
From continuing operations attributable to the ordinary equity holders of the company	(0.18)	(0.62)
Total basic (loss)/earnings per share attributable to the ordinary equity holders of the Company	(0.18)	(0.62)
Weighted average number of ordinary shares	746,211,453	572,842,354

6. EARNINGS PER SHARE *CONTINUED*

	Consolidated Group	
	2019	2018
	$	$
(b) Reconciliation of earnings used in calculating earnings per share		
(Loss)/profit attributable to the ordinary holders of the Company used in calculating the basic earnings per share:	(1,344,664)	(3,523,581)
	(1,344,664)	(3,523,581)
	2019	2018
	Cents	Cents
(c) Diluted (loss)/earnings per share		
From continuing operations attributable to the ordinary equity holders of the Company	(0.18)	(0.62)
Weighted average number of ordinary shares to determine diluted (loss)/earnings per share	746,211,453	572,842,354

7 CASH AND CASH EQUIVALENTS

	Consolidated Group	
	2019	2018
	$	$
(a) Reconciliation of cash and cash equivalents		
Cash and cash equivalents comprises:		
Cash at bank and in hand	47,965	243,400
Short-term deposits	179,771	1,500,947
	227,736	1,744,347

Cash at bank earns interest at floating rates based on daily bank deposit rates.
Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the consolidated entity, and earn interest at the respective short-term deposit rates.

	Consolidated Group	
	2019	2018
	$	$
(b) Reconciliation of net (loss)/profit after income tax to net cash flows from operating activities		
Net (loss)/profit for the year	(1,344,664)	(3,523,581)
Adjustment for:		
Depreciation and amortisation	15,468	30,448
Exploration expenditure written off	13,180	52,539
Share options expensed	15,561	545,114
Consultant share options expensed	-	18,451
Loss on disposal of plant and equipment	6,183	907
Non-recovery of loan to related party	21,976	847,276
Changes in assets and liabilities:		
(Increase)/decrease in trade and other receivables	94,636	210,330
Increase/(decrease) in trade, other payables and provisions	(308,496)	(123,163)
Net cash from/(used in) operating activities	(1,486,156)	(1,941,679)

Non Cash Financing and Investing Activities
In the current year there are no non cash financing and investing activities.

8. Trade and Other Receivables

	Consolidated Group	
	2019 $	2018 $
(a) Current		
GST receivable	7,601	73,793
Prepayments	6,559	13,940
Sundry debtors[1]	754	21,817
	14,914	109,550

Note:
1. Other receivables are non-interest bearing and generally on 30-90 day terms. An allowance for doubtful debts is made when there is objective evidence that a trade receivable is impaired. As at 30 June 2019 no amounts are impaired or past due.

	Consolidated Group	
	2019 $	2018 $
(b) Non-current		
Opening balance	42,988	42,988
Redemption of deposits	(10,400)	-
Interest (reversed)/earned on term deposit	-	-
Term deposit for bonds and bonds	32,588	42,988

9. Controlled Entities

Name	Country of Incorporation	Percentage interest held		Carrying Amount of parent entity's investment	
		2019 %	2018 %	2019 $	2018 $
Razorback Iron Pty Ltd	AUS	100	100	20	20
Razorback Operations Pty Ltd	AUS	100	100	20	20
Red Dragon Mining Pty Ltd	AUS	100	100	20	20
Ironback Pty Ltd	AUS	100	100	100	100

10. Plant and Equipment

	Consolidated Group	
	2019 $	2018 $
Plant and equipment, at cost	365,407	365,407
Less: accumulated depreciation	(337,125)	(327,595)
	28,282	37,812
Office equipment, at cost	82,447	129,578
Less: accumulated depreciation	(71,871)	(108,193)
	10,576	21,385
Total property, plant and equipment	38,858	59,197

Reconciliations

Reconciliation of the carrying amounts of each class of property, plant and equipment at the beginning and end of the current financial year are set out below:

	Consolidated Group	
	2019 $	2018 $
Plant and equipment		
Carrying amount at the beginning of the year	37,812	51,464
Additions	-	-
Depreciation	(9,530)	(13,652)
Carrying amount at the end of the year	28,282	37,812

10. Plant and Equipment *continued*

	Consolidated Group 2019 $	2018 $
Office furniture and equipment		
Carrying amount at the beginning of the year	21,385	25,381
Additions	5,575	7,732
Disposal	(10,319)	(1,516)
Accumulated depreciation on disposal	6,831	426
Depreciation	(12,896)	(10,638)
Carrying amount at the end of the year	10,576	21,385
Motor vehicles		
Carrying amount at the beginning of the year	-	4,067
Disposal	-	(52,070)
Accumulated depreciation on disposal	-	48,003
Carrying amount at the end of the year	-	-
Total carrying amount	38,858	59,197

11. Exploration Expenditure

	Consolidated Group 2019 $	2018 $
At 1 July 2018	8,884,326	8,712,362
Exploration expenditure	246,622	224,503
Provision for impairment of capitalised exploration expense	-	-
Expenditure written off	(13,180)	(52,539)
At 30 June 2019	9,117,768	8,884,326

The value of the Group's interest in exploration expenditure is dependent upon:

- the continuance of the Group's rights to tenure of the areas of interest;
- the results of future exploration; and
- the recoupment of costs through successful development and exploitation of the areas of interest, or alternatively, by their sale.

The Group's exploration properties may be subject to claim(s) under native title, or contain sacred sites, or sites of significance to Aboriginal people. As a result, exploration properties or areas within the tenements may be subject to exploration restrictions, mining restrictions and/or claims for compensation. At this time, it is not possible to quantify whether such claims exist, or the quantum of such claims.

12. Intangible Assets

	Consolidated Group 2019 $	2018 $
Software and licences, at cost	199,719	199,719
Less: accumulated amortisation	(199,504)	(199,290)
	215	429

Reconciliation

Reconciliation of the carrying amount of intangible assets at the beginning and end of the financial year are set out below:

Opening balance at 1 July 2018	429	5,570
Additions	-	-
Amortisation	(214)	(5,141)
Carrying amount at 30 June 2019	215	429

13. TRADE AND OTHER PAYABLES (CURRENT)

	Consolidated Group	
	2019 $	2018 $
Trade payables[1]	37,801	218,651
Accruals	165,760	367,151
Total	203,561	585,802

Note 1: Trade payables are non-interest bearing and are normally settled on 30-60 day terms

14. PROVISIONS (CURRENT)

	Consolidated Group	
	2019 $	2018 $
Employee benefits – Annual Leave	47,783	43,579
Employee benefits – Long Service Leave	11,945	10,603
Total	59,728	54,182

15. CONTRIBUTED EQUITY AND RESERVES

(a) Issued and paid up capital	Number of shares 2019	Number of shares 2018	2019 $	2018 $
Ordinary shares	798,649,809	738,649,809	52,621,691	52,324,651
Total	798,649,809	738,649,809	52,621,691	52,324,651

(b) Movement in ordinary shares on issue

	Number of shares	Issue price $	Total $
Balance at 30 June 2017	546,294,264		49,631,512
Option Conversion	12,600,000	0.020	252,000
Option Conversion	58,000	0.050	2,900
Rights Issue	159,690,045	0.015	2,395,351
Placement	20,000,000	0.015	300,000
Option Conversion	7,500	0.050	375
Less transaction costs	-	-	(257,487)
Balance at 30 June 2018	738,649,809		52,324,651
Placement	60,000,000	0.005	300,000
Less transaction costs	-	-	(2,960)
Balance at 30 June 2019	798,649,809		52,621,691

(c) Movement in options on issue

	Balance at the beginning of the year	Issued during the year	Exercised during the year	Cancelled during the year	Expired during the year	Balance at the end of the year
Unquoted options exercisable at 2 cents, on or before 7 October 2018	5,300,000	-	-	-	(5,300,000)	-
Unquoted options exercisable at 10 cents, on or before 31 October 2018	6,500,000	-	-	-	(6,500,000)	-
Unquoted options exercisable at 2 cents, on or before 12 January 2019	1,000,000	-	-	-	(1,000,000)	-
Unquoted options exercisable at 4.5 cents, on or before 5 August 2019	8,000,000	-	-	-	-	8,000,000
Unquoted options exercisable at 2 cents, on or before 26 November 2020	10,000,000	-	-	-	-	10,000,000
Unquoted options exercisable at 2 cents, on or before 26 April 2021	3,000,000	-	-	-	-	3,000,000
Quoted options exercisable at 5 cents, on or before 31 May 2021	172,624,545	-	-	-	-	172,624,545
Unquoted options exercisable at 4.5 cents, on or before 24 August 2021	1,000,000	-	-	-	-	1,000,000
Unquoted options exercisable at 2.5 cents, on or before 7 September 2021	3,000,000	-	-	-	-	3,000,000
Unquoted options exercisable at 2 cents, on or before 30 November 2021	10,000,000	-	-	-	-	10,000,000
Unquoted options exercisable at 4.4 cents, on or before 30 November 2021	10,000,000	-	-	(10,000,000)	-	-
Unquoted options exercisable at 3.7 cents, on or before 30 November 2021	10,000,000	-	-	(10,000,000)	-	-
Unquoted options exercisable at 10 cents, on or before 5 December 2021	5,000,000	-	-	-	-	5,000,000
Unquoted options exercisable at 4 cents, on or before 8 January 2022	10,000,000	-	-	(10,000,000)	-	-
Unquoted options exercisable at 1.5 cents, on or before 18 March 2022	-	6,500,000	-	-	-	6,500,000
Unquoted options exercisable at 4 cents, on or before 5 June 2022	3,000,000	-	-	-	-	3,000,000
Unquoted options exercisable at 4 cents, on or before 5 July 2022	7,500,000	-	-	-	-	7,500,000
Unquoted options exercisable at 5 cents, on or before 30 November 2022	10,000,000	-	-	-	-	10,000,000
Unquoted options exercisable at 3.5 cents, on or before 4 June 2023	3,000,000	-	-	-	-	3,000,000
Total	278,924,545	6,500,000	-	(30,000,000)	(12,800,000)	242,624,545

(d) Reserves

	Consolidated Group	
	2019	2018
	$	$
Listed option reserve		
Balance at the beginning of the year	1,007,941	1,007,941
Proceeds from option issue	-	-
Balance at the end of the year	1,007,941	1,007,941
Share based payments reserve		
Balance at the beginning of the year	9,525,980	8,962,414
Value of share based payments to directors and employees	15,561	545,114
Value of share based payments to consultants	-	18,452
Balance at the end of the year	9,541,541	9,525,980
Total reserves at year end	10,549,482	10,533,921

Listed option reserve

This reserve is used to record the proceeds from the issue of listed options, net of expenses of the issue.

Share based payments reserve

This reserve is used to record the value of equity benefits provided to directors, employees and consultants as part of their remuneration. Refer note 23 for further details.

16. Financial Instruments

The Group's principal financial instruments comprise of cash and short term deposits. The main purpose of these financial instruments is to maintain the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables.

(a) Interest rate risk

The Group is exposed to movements in market interest rates on short term deposits. The policy is to monitor the interest rate yield curve out to 120 days to ensure a balance is maintained between the liquidity of cash assets and the interest rate return.
Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 2 to the financial statements

The Group's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rate for each class of financial assets and financial liabilities comprises

	Floating interest rate		Fixed interest rate – 1 year or less		Fixed interest rate – 1 to 3 years		Non-interest bearing		Total	
Consolidated	2019 $	2018 $	2019 $	2018 $	2019 $	2018 $	2019 $	2018 $	2019 $	2018 $
Financial assets										
Cash and cash equivalents	209,959	222,053	-	1,500,947	-	-	17,777	21,347	227,736	1,744,347
Trade and other receivables[1]	-	-	12,588	22,988	-	-	28,355	115,610	40,943	138,598
Total financial assets	209,959	222,053	12,588	1,523,935	-	-	46,132	136,957	268,679	1,882,945
Weighted average interest rate	1.25%	0.75%	2%	2.07%						
Financial liabilities										
Trade and other payables	-	-	-	-	-	-	(37,801)	(218,651)	(37,801)	(218,651)
Convertible loan note liability	-	-	(2,500,000)	-	-	(2,500,000)	-	-	(2,500,000)	(2,500,000)
Total financial liabilities	-	-	(2,500,000)	-	-	(2,500,000)	(37,801)	(218,651)	(2,537,801)	(2,718,651)
Net financial assets/(liabilities)	209,959	222,053	(2,487,412)	1,523,935	-	(2,500,000)	8,331	(81,694)	(2,269,122)	(835,706)
Weighted average interest rate			7%	-	-	7%				

Note 1: Trade and other receivables excludes prepayments

16. Financial Instruments *continued*

	Consolidated Group	
	2019 $	2018 $
Reconciliation of net financial assets/(liabilities) to net assets		
Net financial assets/(liabilities) as above	(2,269,122)	(835,706)
Prepayments (note 8a)	6,559	13,940
Plant and equipment (note 10)	38,858	59,197
Exploration & evaluation expenditure (note 11)	9,117,768	8,884,326
Intangibles (note 12)	215	429
Accruals	(165,760)	(367,151)
Provisions (note 14)	(59,728)	(54,182)
Net assets per statement of financial position	6,668,790	7,700,853

The net fair value of all financial assets and liabilities at balance date approximate to their carrying value.

(b) Credit risk

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted the 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 defaults.

The Group's primary banker is National Australia Bank, at balance date a majority of all operating accounts are with this bank excluding the short term deposits which are held with other financial institutes.

All funds on deposit are placed with reputable counterparties with an "A" credit rating or higher. The carrying amount of financial assets recorded in the financial statements, net of any provisions for losses, represents the Group's maximum exposure to credit risk.

(c) Net fair value of financial assets and liabilities

The net fair value of the financial assets and financial liabilities approximates their carrying value, except for the fair value of equity investments traded on organised markets which have been valued by reference to the market prices prevailing at balance date for those equity investments.

(d) Foreign currency risk

The Group is not exposed to foreign exchange currency risk at balance date.

(e) Liquidity risk

The Group manages its liquidity risk by monitoring its cash reserves and forecast spending. Management is cognisant of the future demands for liquid finance requirements to finance the Group's current and future operations.

(f) Market risk

The Group manages its exposure to market risk by monitoring market conditions and making decisions based on industry experience.

17. Sensitivity Analysis

(a) Interest rate risk

The following table represents a summary of the interest rate sensitivity of the Group's financial assets at the balance sheet date on the deficit for the year and equity for a 1% change in interest rates. It is assumed that the change in interest rates is held constant throughout the reporting period.

Consolidated 30 June 2019	Carrying amount $	Interest rate risk -1% Net loss $	Interest rate risk -1% Equity $	Interest rate risk + 1% Net gain $	Interest rate risk + 1% Equity $
Financial assets					
Cash and cash equivalents	227,736	(2,277)	(2,277)	2,277	2,277
Other receivables	12,588	(126)	(126)	126	126
Total	240,324	(2,403)	(2,403)	2,403	2,403

17. Sensitivity Analysis *continued*

Consolidated 30 June 2018	Carrying amount $	Interest rate risk -1%		Interest rate risk + 1%	
		Net loss $	Equity $	Net gain $	Equity $
Financial assets					
Cash and cash equivalents	1,744,347	(17,443)	(17,443)	17,443	17,443
Other receivables	22,988	(230)	(230)	230	230
Total	1,767,335	(17,673)	(17,673)	17,673	17,673

The Group also has $2,500,000 in convertible loan notes at a fixed interest rate of 7% per annum.

(b) Foreign currency risk

The Group is not exposed to foreign exchange currency risk at balance date.

18. Commitments

There are no outstanding commitments or contingencies which are not disclosed in the financial report of the Company as at 30 June 2019 other than:

(i) Mineral tenement expenditure commitments – Australia

	Consolidated Group	
	2019 $	2018 $
Within one year	1,697,394	1,038,797
After one year but not more than five years	2,020,000	3,233,000
More than five years	-	-
	3,717,394	4,271,797

The Group has expenditure obligations with respect to mineral tenements and minimum expenditure requirements on mineral tenements that have not been recognised as a liability or payable in the financial statements.

These include commitments relating to tenement lease rentals and the minimum expenditure requirements of the Government Departments governing mineral exploration in each jurisdiction or state of Australia. The minimum commitment expenditures attached to the tenements are subject to re-negotiation upon expiry of the exploration leases or when application for a mining licence is made.

If the consolidated entity decides to relinquish certain leases and/or does not meet these obligations, assets recognised in the balance sheet may require review to determine the appropriateness of carrying values. The sale, transfer or farm-out of exploration rights to third parties will reduce or extinguish these obligations.

These are necessary in order to maintain the tenements in which the Group and other parties are involved. All parties are committed to meet the conditions under which the tenements were granted in accordance with the relevant mining legislation in South Australia.

(iii) Operating lease commitments

	Consolidated Group	
	2019 $	2018 $
Within one year	21,917	-
After one year but not more than five years	-	-
	21,917	-

The Group currently does not have any fixed lease on its corporate office premise in Adelaide.

(iv) Bonds

At 30 June 2019 the Group has outstanding $32,588 (2018: $32,588) as a current bond provided by the Company's bank for mineral tenements.

(v) Bank guarantee

At 30 June 2019 the Group has $Nil (2018: $10,400) guarantee provided by the Company's bank for corporate office lease. The Company has an available limit of bank guarantee facility of $287,412 and currently this facility has not been utilised by the Company.

19. Parent Entity

	2019 $	2018 $
Financial Position		
Assets		
Current assets	242,630	1,853,876
Non-current assets	211,203	242,157
Total assets	453,833	2,096,033
Liabilities		
Current liabilities	(2,763,289)	(639,984)
Non-current liabilities	-	(2,500,000)
Total liabilities	(2,763,289)	(3,139,984)
Net Liabilities	(2,309,456)	(1,043,951)
Equity		
Issued capital	52,621,691	52,324,651
Accumulated losses	(65,480,629)	(63,902,523)
Reserves		
Listed option reserve	1,007,941	1,007,941
Share based payments reserve	9,541,541	9,525,980
Total deficiency	(2,309,456)	(1,043,951)
Financial Performance		
Loss for the year after income tax	(1,578,106)	(12,268,544)
Total comprehensive income/(loss)	(1,578,106)	(12,268,544)
Mineral tenement expenditure commitments		
Within one year	1,697,394	1,038,797
After one year but not more than five years	2,020,000	3,233,000
More than five years	-	-
	3,717,394	4,271,797

The commitments relate to the Company and its subsidiaries as the Company funds its subsidiaries' activities.

20. Auditor's Remuneration

	Consolidated Group 2019 $	2018 $
Audit and review of the financial report of the consolidated entity	42,000	42,000
	42,000	42,000

21. Related Party Disclosures

Amounts paid and payable to Ora Gold Limited, in which F DeMarte, M R J Randall are directors and shareholders, in the normal course of business in 2018/2019 for admin related costs totalled $243 (2018: $211) and the balance included in trade creditors is $Nil (2018: $Nil). Amounts received and receivable from Ora Gold Limited in the normal course of business totalled $Nil (2018: $Nil)

Payments made on behalf of Lodestone Equities Limited total $21,975 (2018: $1,244,436) at 30 June 2019. This amount relates to the cost and expenses in relation to the proposed merger transactions agreed between the parties in accordance with various Framework Agreements that have been executed between the parties. The Final Framework Agreement was terminated on 3 September 2018.

Loans advanced to subsidiary, Razorback Iron Pty Ltd total $26,877,627 (2018: $26,667,136) at 30 June 2019.

Loans advanced to subsidiary, Razorback Operations Pty Ltd total $2,520 (2018: $2,520) at 30 June 2019.

Loans advanced to subsidiary, Red Dragon Mining Pty Ltd total $2,394 (2018: $2,131) at 30 June 2019.

Loans advanced to subsidiary, Ironback Pty Ltd total $3,418,479 (2018: $3,395,002) at 30 June 2019.

The total amounts receivable from Gordon Toll total $Nil (2018: $13,961)

There was no unsecured loan from Peter Schubert as at 30 June 2019 (2018: $50,000 – This was repaid on 18 May 2018).

22. Directors and Executive Disclosures

(a) Details of directors and key management personnel

Directors

P J Schubert	Executive Chairman	(appointed as Executive Chairman on 3 September 2018)
G L Toll	Chairman	(Resigned on 2 September 2018)
F DeMarte	Executive Director	
M R J Randall	Non-Executive Director	

Executive

F DeMarte	Company Secretary & Chief Financial Officer

(b) Compensation for directors and key management personnel

	Consolidated Group	
	2019 $	2018 $
Short term employee benefits and termination benefits	239,048	239,048
Annual leave provision	8,886	13,876
Post-employment benefits	22,710	22,710
Share based payments	-	210,000
Long service leave	-	-
Total compensation	270,644	485,634

(c) Loans to key management personnel

There were no loans to key management personnel during the year other than as disclosed in Note 21.

(d) Other transactions and balances with key management personnel and their related parties

Disclosures relating to other transactions and balances with key management personnel are included and set out in note 21.

23. Share Based Payments

Options are granted under the Company employee share option plan ("ESOP") which was approved by the shareholders on 28 November 2014. The ESOP is available to any person who is a director, or an employee (whether full-time or part-time) of the Company or of an associated body corporate of the Company ("Eligible Person").

Subject to the rules set out in the ESOP and the listing rules, the Company (acting through the board) may offer options to any eligible person at such time and on such terms as the board considers appropriate.

There are no voting or dividend rights attached to the options. There are no voting rights attached to the unissued ordinary shares. Voting rights will be attached to the unissued ordinary shares when the options have been exercised.

The expense recognised in the income statement in relation to share-based payments during the financial year is disclosed in consolidated statement of profit or loss and other comprehensive income.

(a) Directors and Employees Options

The following table illustrates the number and weighted average exercise price of and movements in directors and employees share options issued during the year:

	2019 Number	2019 WAEP $	2018 Number	2018 WAEP $
Outstanding at beginning of the year	88,300,000	0.04	91,350,000	0.05
Granted during the year	6,500,000	0.015	27,500,000	0.04
Exercised during the year	-	-	(12,600,000)	0.02
Expired/lapsed during the year	(42,800,000)	0.05	(17,950,000)	0.09
Outstanding at the end of the year	52,000,000	0.032	88,300,000	0.04
Exercisable at the end of the year	45,000,000		88,300,000	

(i) the weighted average remaining contractual life for the directors and employees options outstanding as at 30 June 2019 is 2.19 years (2018: 2.8 years);

(ii) the weighted average exercise price for options outstanding at the end of the year was $0.032 (2018: $0.04);

(iii) the weighted average exercise price of options granted during the year was $0.015 (2018: $0.04); and

(iv) the fair value of the equity-settled share options granted under the plan is estimated as at the date of grant using a Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted.

(b) Consultant Options

The following table illustrates the number and weighted average exercise price of and movements in consultant options issued during the year:

	2019 Number	2019 WAEP $	2018 Number	2018 WAEP $
Outstanding at beginning of the year	18,000,000	0.05	15,000,000	0.053
Granted during the year	-	-	3,000,000	0.035
Exercised during the year	-	-	-	-
Expired/lapsed during the year	-	-	-	-
Outstanding at the end of the year	18,000,000	0.05	18,000,000	0.05
Exercisable at the end of the year	18,000,000		18,000,000	

(i) the weighted average remaining contractual life for the consultant options outstanding as at 30 June 2019 is 2.61 years (2018: 3.35 years);
(ii) the weighted average exercise price for options outstanding at the end of the year was $0.05 (2018: $0.053);
(iii) the weighted average exercise price of options granted during the year was $Nil (2018: $0.035); and

the fair value of the equity-settled share options granted under the plan is estimated as at the date of grant using a Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted.

23. Share Based Payments *CONTINUED*

The following table lists the inputs to the model used for the year ended 30 June 2019

Number of options	6,500,000
Grant date	19/03/19
Share Price at grant date	0.6 cents
Option exercise price	1.5 cents
Expiry date	18/03/22
Expected life of the option (years)	3 years
Vesting period (months)	-
Dividend yield (%)	-
Expected volatility (%)	149%
Risk-free interest rate	1.50%
Fair value of options	0.42 cents
Vesting date	18/09/19

The following table lists the inputs to the model used for the year ended 30 June 2018

Number of options	17,500,000	10,000,000	3,000,000
Grant date	6/07/17	1/12/17	5/06/18
Share Price at grant date	3.6 cents	4.1 cents	1.3 cents
Option exercise price	4 cents	5 cents	3.5 cents
Expiry date	5/07/22	30/11/22	4/06/23
Expected life of the option (years)	5 years	5 years	5 years
Vesting period (months)	-	-	-
Dividend yield (%)	-	-	-
Expected volatility (%)	105%	101.1%	110%
Risk-free interest rate	2.16%	2.37%	2.39%
Fair value of options	1.9 cents	2.1 cents	0.6 cents
Vesting date	Grant date	Grant date	Grant date

24. Contingent Liabilities

As at 30 June 2019, the Company has the following contingent liabilities:

Agreement with Mintech Resources Pty Ltd

Pursuant to a Variation Deed dated 11 August 2015, the Company finalised the acquisition of a 100% interest in EL 5432 (formerly EL 4267) covering the Razorback Ridge area on the following terms:

1) The issue of Redeemable Convertible Notes on 31 August 2015 with a face value of $2.5 million (Notes issued on 31 August 2015 - refer to note 25)
2) Resource payments to Mintech calculated at $0.01 per DTR tonne of measured resources (resource payment = tonne of measured resource x $0.01 x [(Average DTR% of Resource tonnes)/100]). DTR means potentially recoverable tonnes of magnetite as determined by the Davis Tube Recovery technique;
3) A Production Payment of $3,000,000 to Mintech within 20 Business Days of the Company receiving payment of at least 95% of the purchase price for the first commercial shipment of Product from the tenement; and
4) A 1% Royalty on the Value of the Product produced from the tenement measured at the "mine gate".

Agreement with Goldus Pty Ltd

Pursuant to a Variation Deed dated 11 August 2015, the Company has finalised the acquisition of a 100% interest in EL6126 and EL6127 (formerly EL 5180 and EL 5240) which surround the Razorback Ridge area on the following terms:

1) A payment of $350,000 (paid to Goldus on 11 August 2015);
2) A second payment of $420,000 (paid to Goldus on 31 August 2015);
3) Resource payments to Goldus calculated at $0.01 per DTR tonne of measured resources;
4) A Production Payment of $3,000,000 to Goldus within 20 Business Days of the Company receiving payment of at least 95% of the purchase price for the first commercial shipment of Product from the tenements; and
5) A 1% Royalty on the Value of the Product produced from the tenement measured at the "mine gate".

25. Convertible Loan Note Liability (Current)

	Consolidated Group	
	2019	2018
	$	$
Convertible Notes	2,500,000	-
	2,500,000	-

Convertible Loan Note Liability (Non-Current)

	Consolidated Group	
	2019	2018
	$	$
Convertible Notes	-	2,500,000
	-	2,500,000

Pursuant to a Variation Deed dated 11 August 2015 with Mintech Resources Pty Ltd, the Company issued Redeemable Convertible Notes on 31 August 2015 with a face value of $2,500,000 on the following terms:

a) the Redeemable Convertible Notes have a 48 month term from the issue date;
b) interest of 7% per annum, payable 12 months in arrears on the anniversary from the issue date;
c) at least 5 days before maturity or redemption of the Redeemable Convertible Notes the Company can elect the:
   (i) Redeemable Convertible Notes be redeemed by cash equivalent to the face value of the Redeemable Convertible Notes;
   (ii) Redeemable Convertible Notes convert into fully paid ordinary shares in the Company equivalent to the face value of the Redeemable Convertible Notes at a price equivalent to the Company's VWAP over 90 consecutive days;
   (iii) Redeemable Convertible Notes convert into a combination of cash and fully paid ordinary shares as defined in (i) and (ii); or
   (iv) Company may extend the maturity date by a single further period of 12 months on a cash payment of $250,000 extension fee to Mintech.

26. Events After The Balance Sheet Date

Since the end of the financial year, the directors are not aware of any other matter or circumstance not otherwise dealt with in this report or the financial statements that has significantly or may significantly affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in subsequent financial years with the exception of the following, the financial effects of which have not been provided for in the 30 June 2019 financial statements:

1) 8,000,000 unquoted employee options with an exercise price of 4.5 cents each expired on 5 August 2019.

2) Amendments to the Redeemable Convertible Notes:

On 4 September 2019, the Company entered into a Heads of Agreement (HOA) with the liquidators of Mintech Resources Pty Ltd (in liquidation) (Mintech) to amend the terms of the redeemable convertible notes (Notes) held by Mintech.

The Notes were originally issued to Mintech on 31 August 2015 following a renegotiation of the terms of a tenement sale agreement between the Company and Mintech for the acquisition by the Company of the Razorback Project.

Pursuant to the HOA, the parties have agreed to adjust the face value of the Notes by agreeing to certain offsets to which the Company is entitled and by incorporating and deferring payments due and have agreed to make the following changes to the Notes:

	Existing terms	Proposed amendments
Maturity Date:	31 August 2019	31 August 2023
Interest:	7% per annum	5% per annum
Face value:	$2,500,000	$1,975,000

Pursuant to the existing terms of the Notes, the Company had the right to extend the term of the Notes by 12 months by making a $250,000 extension fee payment.

The significant reduction in the face value of the Notes follows agreement with the liquidators of Mintech that certain amounts agreed to be paid to Mintech (including the extension fee payment of $250,000) be offset against a larger amount that Mintech was obligated to pay the Company in connection with the Company's costs of historical litigation in respect of the Razorback Project from 2010-2012.

The Company advises that the liquidators of Mintech have also agreed to a deferred payment plan for the current $175,000 interest payment due on the Notes, such that $75,000 was paid on 13 September 2019, and $50,000 is payable by 31 December 2019 and the remaining $50,000 is payable by 30 April 2020.

There is no change to the redemption or conversion of the Notes, which as previously disclosed permits the Company, at least five days before maturity or redemption of the Notes, to elect to:

- redeem the Notes for cash to the face value of the Notes;
- convert the face value into fully paid ordinary shares of the Company at a price equivalent to the Company's VWAP over 90 consecutive days; or
- a combination of cash and fully paid ordinary shares per the conversion formula above.

The amendments above are subject to the receipt of approval of the creditors of Mintech, following which the parties will execute formal agreements to document the changes. The Company understands the liquidators will call a Mintech creditors' meeting for mid-October 2019.

3) Executive Chairman Provides Loan to Company

On 11 September 2019, the Company's Executive Chairman, Mr Peter Schubert (Lender) provided the Company with an unsecured loan of $200,000 (Loan) pursuant to a Convertible Loan Agreement to assist the Company with its general working capital requirements.

The terms of the Convertible Loan Agreement are as follows:

Loan Amount:	$200,000;
Interest:	5% per annum. Interest which accrues on the Loan will be capitalised and is payable on the earlier of the date on which the Loan is repaid in full and the Repayment Date;
Repayment Date:	The Loan is repayable on the date that is six months after the date of the Convertible Loan Agreement (or such later date as may be agreed between the parties in writing). If there is an event of default, the Lender may demand repayment of the Loan and payment of any interest, immediately. The Company can prepay the Loan at any time;

Establishment Fee:	Subject to and conditional upon the Company obtaining the approval of its members in general meeting by the requisite majority for the purposes of ASX Listing Rule 10.11 and section 208 of the Corporations Act 2001 (Cth) (Corporations Act) , the Company must pay to the Lender an establishment fee (Establishment Fee), which will be satisfied by the issue to the Lender of 40,000,000 options exercisable at $0.01 each on or before the date that is three years from the date of issue of the options;
Conversion Right:	Subject to and conditional upon the Company obtaining the approval of its members in general meeting by the requisite majority for the purposes of ASX Listing Rule 10.11 and section 208 of the Corporations Act, the Lender can elect to convert all or part of the Loan and any interest amount into fully paid ordinary shares at the price equal to a 10% discount to the VWAP for the 15 Trading Days prior to the date of the conversion notice.

In accordance with a resolution of the directors of Magnetite Mines Limited, I state that:

In the opinion of the directors:

(a) the financial statements, notes and the additional disclosures included in the directors' report designated as audited, of the Company and the consolidated entity are in accordance with the Corporations Act 2001, including:

  (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2019 and of its performance for the year ended on that date; and

  (ii) complying with accounting standards and the Corporations Regulations 2001; and

(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 report also complies with International Financial Reporting Standards as described in note 2(a).

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 financial year ended 30 June 2019.

On behalf of the board

Frank DeMarte
DIRECTOR

30 September 2019

Perth, Western Australia

INDEPENDANT AUDIT REPORT TO THE MEMBERS

Stantons International Audit and Consulting Pty Ltd
trading as
Stantons International
Chartered Accountants and Consultants

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**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
MAGNETITE MINES LIMITED**

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Magnetite Mines Limited the Company and its subsidiaries ("the Group"), which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of 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 statements, 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 2019 and of its financial performance for the year then ended; 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 Company in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110: Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Material Uncertainty Relating to Going Concern

Without modifying our audit opinion expressed above, attention is drawn to the following matter.

As referred to in Note 2 to the financial statements, the consolidated financial statements have been prepared on the going concern basis. At 30 June 2019, the Group had cash and cash equivalents of $227,736 and incurred a loss after income tax of $1,344,664.The Group had a net working capital deficiency of $2,520,639.

The ability of the Group to continue as a going concern and meet its planned exploration, administration and other commitments is dependent upon the Group raising further working capital and/or successfully exploiting its mineral assets. In the event that the Group is not successful in raising further equity or successfully exploiting its mineral assets, the Group may not be able to meet its liabilities as and when they fall due and the realisable value of the Group's current and non-current assets may be significantly less than book values.

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Key Audit Matters

In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matter described below to be Key Audit Matter to be communicated in our report.

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.

Key Audit Matters	How the matter was addressed in the audit
Carrying Value of Exploration and Evaluation Assets As at 30 June 2019, Exploration and Evaluation Assets totalled $9,117,768 (refer to Note 11 of the financial report). The carrying value of exploration and evaluation assets is a key audit matter due to: • The significance of the expenditure capitalised representing 97% of total assets; • The necessity to assess management's application of the requirements of the accounting standard Exploration for and Evaluation of Mineral Resources ("AASB 6"), in light of any indicators of impairment that may be present; and • The assessment of significant judgements made by management in relation to the capitalised exploration and evaluation expenditure.	Inter alia, our audit procedures included the following: i. Assessing the Group's right to tenure over exploration assets by corroborating the ownership of the relevant licences for mineral resources to government registries and relevant third-party documentation; ii. Reviewing the directors' assessment of the carrying value of the capitalised exploration and evaluation costs, ensuring the veracity of the data presented and assessing management's consideration of potential impairment indicators, commodity prices and the stage of the Group's projects also against AASB 6; iii. Evaluation of Group documents for consistency with the intentions for continuing exploration and evaluation activities in areas of interest and corroborated in discussions with management. The documents we evaluated included: ▪ Minutes of the board and management; and ▪ Announcements made by the Group to the Australian Securities Exchange; and iv. Consideration of the requirements of accounting standard AASB 6 and reviewed the financial statements to ensure appropriate disclosures are made.

INDEPENDANT AUDIT REPORT TO THE MEMBERS

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2019, but does not include the financial report and our auditor's report thereon.

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

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report.

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

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

We conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty

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exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

We evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in Internal control that we identify during our audit.

The Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements. We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 13 to 18 of the directors' report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of Magnetite Mines Limited for the year ended 30 June 2019 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.

STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD
(Trading as Stantons International)
(An Authorised Audit Company)

Stantons International Audit and Consulting Pty Ltd

Samir Tirodkar
Director
West Perth, Western Australia
30 September 2019

AUDITOR'S INDEPENDENCE DECLARATION

Stantons International Audit and Consulting Pty Ltd
trading as
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30 September 2019

Board of Directors
Magnetite Mines Limited
118B Glen Osmond Road
Parkside SA 5063

Dear Directors

RE: MAGNETITE MINES LIMITED

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Magnetite Mines Limited.

As Audit Director for the audit of the financial statements of Magnetite Mines Limited for the year ended 30 June 2019, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD
(Trading as Stantons International)
(An Authorised Audit Company)

Samir Tirodkar
Director

ASX ADDITIONAL INFORMATION

The following information dated 25 September 2019 is required by the Listing Rules of the ASX Limited.

1. Distribution and Number of Holder of Equity Securities

The number of holders, by size of holding, in each class of security are:

	Fully paid ordinary shares
1 – 1,000	473
1,001 – 5,000	538
5,001 – 10,000	223
10,001 – 100,000	740
100,001 and over	502
Totals	2,476
Holding less than a marketable parcel	1,892

2. Twenty Largest Holders of Quoted Securities

(a) Ordinary Shares

Holder	Shares Held Number	%
NATIONAL NOMINEES LIMITED	109,740,750	13.74
COFFEE HOUSE GROUP LIMITED	78,476,509	9.83
MANGO BAY ENTERPRISES INCORPORATED	45,065,000	5.64
CITICORP NOMINEES PTY LIMITED	40,479,218	5.07
RAGGED RANGE MINING PTY LTD & ASSOCIATES	28,769,994	3.60
JP MORGAN NOMINEES AUSTRALIA LIMITED	21,343,291	2.67
MR SIAT YOON CHIN	18,000,000	2.25
MR WILLIAM JANSEN & MRS MARILYN GAIL JANSEN	15,000,000	1.88
CHIN NOMINEES PTY LTD	12,608,588	1.58
MR GORDON LEONARD TOLL	12,600,000	1.58
MR KINGSLEY GRANT MILNE WELLER	10,000,000	1.25
CHIN NOMINEES PTY LTD	8,000,000	1.00
CHETAN ENTERPRISES PTY LTD	7,622,567	0.95
TIERRA DE SUENOS SA	7,543,650	0.94
MR ROBERT BRUCE WILLIAMSON & MRS JOCELYN WILLIAMSON	7,223,259	0.90
MR JOHN VENARDOS	6,220,000	0.78
MR MICHAEL ERNEST GRANATA	6,000,000	0.75
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	5,654,666	0.71
MR RICK WAYNE CRABB	5,294,362	0.66
MR CHRISTOPHER LINDSAY BOLLAM	5,092,605	0.64
Total	450,734,459	56.44

2. Twenty Largest Holders of Quoted Securities *CONTINUED*

(b) Quoted Options expiring on 31 May 2021 exercisable at $0.05 each

Holder	Shares Held Number	%
NATIONAL NOMINEES LIMITED	21,064,886	12.20
M & K KORKIDAS PTY LTD	12,898,300	7.47
CITICORP NOMINEES PTY LIMITED	11,610,041	6.73
MRS ANJANA NANDHA	11,000,000	6.37
ROOKHARP INVESTMENTS PTY LIMITED	6,666,666	3.86
MR CHRISTOPHER LINDSAY BOLLAM	6,363,333	3.69
MR MOHAN SINGH NANDHA	5,000,000	2.90
GOFFACAN PTY LTD	3,650,000	2.11
MR RYAN JAMES ROWE	3,333,333	1.93
MARTIN PLACE SECURITIES NOMINEES PTY LTD	3,244,533	1.88
MR YING LI	3,080,000	1.78
MRS ZI JUAN QI	2,666,667	1.54
MR PAUL ANTHONY SHARP	2,500,000	1.45
ZERRIN INVESTMENTS PTY LTD	2,333,334	1.35
MR ROBERT BRUCE WILLIAMSON & MRS JOCELYN WILLIAMSON	2,067,727	1.20
CHANCERY HOLDINGS PTY LTD	2,000,000	1.16
MARTIN PLACE SECURITIES STAFF SUPERANNUATION FUND PTY LTD	2,000,000	1.16
MR XIAOLIN WANG	2,000,000	1.16
MRS YAN WANG	2,000,000	1.16
MR KONSTANTINOS KORKIDAS	1,742,084	1.01
Total	107,220,904	62.11

3. Substantial Shareholders

An extract from the Company's register of substantial shareholders is set out below:

Name	Number of Shares Held	%
NATIONAL NOMINEES LIMITED	109,740,750	13.74
COFFEE HOUSE GROUP LIMITED	78,476,509	9.83
MANGO BAY ENTERPRISES INCORPORATED	45,065,000	5.64

4. Voting Rights

The Company's share capital is of one class with the following voting rights:

(a) Ordinary Shares

On a show of hands every shareholder presents in person or by proxy shall have one vote and upon a poll each share shall have one vote.

(b) Options

The Company's options have no voting rights.

5. Stock Exchange Listing

Magnetite Mines Limited ordinary shares are listed on all member exchanges of the ASX Limited.

The home exchange is the ASX Limited.

6. Restricted Securities

There are no ordinary shares on issue that have been classified by the ASX Limited, Perth as restricted securities.

ASX ADDITIONAL INFORMATION

7. Schedule of Tenements

Tenement Name	Location	Tenement Number and Type	Holder/ Application	Share Held	Status
Razorback	SA	EL6126	MGT	100	Granted 17/09/17
Razorback	SA	EL6127	MGT	100	Granted 10/12/17
Razorback	SA	EL6353[1]	MGT	100	Granted 22/06/19
Razorback	SA	EL5902	MGT	100	Granted 01/12/16
Sister's Dam	SA	EL6037	MGT	100	Granted 02/11/17
Bimbowrie	SA	EL6070	MGT	100	Granted 22/12/17
Disposed of during the reporting period					
Bimbowrie	SA	EL5962	MGT	100	Surrendered 11/05/19
Outalpa	SA	EL5974	MGT	100	Surrendered 15/06/19

Note:
1 Was formerly known as EL5432

Key to Tenement Type	Key to Holders	Location
EL = Exploration Licence	MGT = Magnetite Mines Limited	SA – South Australia