



**INTERIM FINANCIAL STATEMENTS
31 DECEMBER 2021**

The release of this ASX announcement was approved and authorised by the board of directors.

INTERIM FINANCIAL STATEMENTS – 31 DECEMBER 2021

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CORPORATE DIRECTORY

DIRECTORS

Peter Schubert	(Executive Chairman)
Mark R Eames	(Executive Director)
Malcolm RJ Randall	(Non-Executive Director)
Jim McKerlie	(Non-Executive Director - Appointed on 12 January 2022)
Paul White	(Non-Executive Director - Appointed on 12 January 2022)

COMPANY SECRETARY

John Rodriguez	(Appointed on 3 December 2021)
Frank DeMarte	(Resigned on 3 December 2021)

REGISTERED OFFICE

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Wayville, South Australia 5034

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Email: info@magnetitemines.com

Website: www.magnetitemines.com

ABN: 34 108 102 432

SHARE REGISTRY

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PERTH WA 6000

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Facsimile: (+61 8) 9323 2033

AUDITORS

Stantons International
40 Kings Park Road
West Perth WA 6005

STOCK EXCHANGE LISTING

The Company's shares are listed and quoted on the Australian Securities Exchange Limited ("ASX").

Home Exchange: Perth, Western Australia

ASX Code: MGT

DIRECTORS' REPORT

The directors present their financial statements for the half year ended 31 December 2021.

DIRECTORS

The names of the Company's directors in office during the half year and until the date of this statement are set out below. Directors were in office for this entire period unless otherwise stated.

Peter Schubert	(Executive Chairman)
Mark R Eames	(Executive Director)
Malcolm RJ Randall	(Non-Executive Director)
Jim McKerlie	(Non-Executive Director - Appointed on 12 January 2022)
Paul White	(Non-Executive Director - Appointed on 12 January 2022)

RESULT

The operating loss of the Consolidated Entity after tax for the period ended 31 December 2021 was \$2,082,465 (2020: Loss \$795,243).

REVIEW OF OPERATIONS

During the period, the Consolidated Entity continued its iron ore activities in South Australia. Below is a summary of key operational announcements made during the half-year ended 31 December 2021 outlining the key milestones achieved.

Please also refer to the Company's website (www.magnetitemines.com) as an additional source of information on Magnetite Mines Limited.

- ASX Announcement - 13 December 2021 - Appointment of Strategic Advisor
- ASX Announcement - 03 December 2021 - Change of Chief Financial Officer and Company Secretary Role
- ASX Announcement - 29 November 2021 - Chairman's Address and Presentation to 2021 AGM
- ASX Announcement - 15 November 2021 - Magnetite Mines Gains Access to Muster Dam Data
- ASX Announcement - 15 November 2021 - MGT Initiates Electricity Transmission Line to Razorback
- ASX Announcement - 29 October 2021 - Activities and Cashflow Reports for period ending 30 September 2021
- ASX Announcement - 25 October 2021 - Razorback Iron Ore Project Drilling Commences
- ASX Announcement - 08 October 2021 - Appointment of Hatch to Razorback DFS
- ASX Announcement - 28 September 2021 - Razorback High Grade Iron Ore Presentation
- ASX Announcement - 23 September 2021 - Appointment of GHD to Razorback Definitive Feasibility Study
- ASX Announcement - 05 July 2021 - Positive PFS Results for Razorback Iron Ore Project

Below is a summary of key operational announcements made subsequent to half-year ended 31 December 2021.

- ASX Announcement – 31 January 2022 - Activities and Cashflow Reports for period ending 31 December 2021
- ASX Announcement – 12 January 2022 - Appointment of New Non-Executive Directors

EVENTS SUBSEQUENT TO REPORTING DATE

Since the end of the half year, the Directors are not aware of any matter or circumstance not otherwise dealt with in the Directors' Report or the Financial Statements that has significantly or may significantly affect the state of affairs or operations of the reporting entity in the future financial periods.

Exercise of unquoted directors options

On 2 February 2022, 5,000,000 unquoted director options exercisable at 1.5 cents each expiring on 1 December 2024 were exercised.

AUDITOR'S INDEPENDENCE DECLARATION

The Auditor's Independence Declaration to the Directors of Magnetite Mines Limited is set out on page 3 and forms part of the Directors' Report for the period ended 31 December 2021.

This statement is signed in accordance with a resolution of the Directors:



Peter Schubert
Executive Chairman

Perth, Western Australia
10 March 2022

AUDITOR'S INDEPENDENCE DECLARATION



Stantons

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www.stantons.com.au

10 March 2022

Board of Directors
Magnetite Mines Limited
Suite 16, 1st Floor, 22 Greenhill Road
WAYVILLE, SA 5034

Dear Sirs

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 review of the financial statements of Magnetite Mines Limited for the half year ended 31 December 2021, 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 review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours faithfully

STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD

Martin Michalik
Director

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Bedford International network of firms

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF YEAR ENDED 31 DECEMBER 2021

		Consolidated	
	Notes	31 December 2021 \$	31 December 2020 \$
REVENUE FROM CONTINUING OPERATIONS			
Net finance income	3(a)	23,840	7,456
Other income	3(b)	42,242	37,500
		66,082	44,956
EXPENDITURE			
Depreciation and amortisation expenses	3(e)	(28,933)	(3,527)
Employee benefits expenses	3(c)	(1,588,335)	(532,421)
Exploration expenses	4	-	(6,100)
Other expenses	3(d)	(480,154)	(247,716)
Borrowing costs	3(f)	(51,125)	(50,435)
Loss from continuing operations before income tax expense		(2,082,465)	(795,243)
Income tax expense		-	-
Net Loss from continuing operations for the period		(2,082,465)	(795,243)
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 for the period		(2,082,465)	(795,243)
Net Loss attributable to:			
Members of the parent entity		(2,082,465)	(795,243)
Total comprehensive loss attributable to:			
Members of the parent entity		(2,082,465)	(795,243)
Earnings per share from continuing operations attributable to the ordinary equity holders of the parent entity:			
		Cents per share	Cents per share
Basic (loss)/earnings for the half-year	5	(0.066)	(0.031)
Diluted (loss)/earnings for the half-year	5	(0.066)	(0.031)

The accompanying condensed notes form part of the financial statements.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2021

		Consolidated	
	Notes	31 December 2021 \$	30 June 2021 \$
ASSETS			
Current Assets			
Cash and cash equivalents	7	12,297,972	16,587,923
Trade and other receivables		424,032	173,576
Total Current Assets		12,722,004	16,761,499
Non-Current Assets			
Trade and other receivables	14(c)	82,588	32,588
Property, plant and equipment		118,332	44,788
Exploration and evaluation expenditure	4	16,542,279	12,863,479
Intangibles		40	54
Right of user assets	9(a)	286,179	-
Total Non-Current Assets		17,029,418	12,940,909
TOTAL ASSETS		29,751,422	29,702,408
LIABILITIES			
Current Liabilities			
Trade and other payables	17	1,205,396	552,857
Lease liabilities	9(b)	93,160	-
Provisions	18	343,866	281,760
Total Current Liabilities		1,642,422	834,617
Non-Current Liabilities			
Lease liabilities	9(b)	186,557	-
Convertible loan	15	1,975,000	1,975,000
Total Non-Current Liabilities		2,161,557	1,975,000
TOTAL LIABILITIES		3,803,979	2,809,617
NET ASSETS		25,947,443	26,892,791
EQUITY			
Contributed equity	10(a)	74,736,785	74,554,301
Reserves		11,901,850	10,947,217
Accumulated losses		(60,691,192)	(58,608,727)
TOTAL EQUITY		25,947,443	26,892,791

The accompanying condensed notes form part of the financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE HALF YEAR ENDED 31 DECEMBER 2021

		Consolidated	
	Notes	31 December 2021 \$	31 December 2020 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		(1,082,009)	(517,612)
Interest received		8,407	1,529
ATO COVID relief		-	37,500
Interest paid		(98,750)	(101,901)
Payment for exploration and evaluation		-	(6,100)
Net cash flows used in operating activities		(1,172,352)	(586,584)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for tenements, exploration and evaluation expenditure		(3,139,042)	(706,563)
Payments for plant and equipment		(93,972)	(8,802)
Payment for security deposits		(50,000)	-
Proceeds from disposal of plant and equipment		3,455	3,000
Net cash flows used in investing activities		(3,279,559)	(712,365)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of shares net of capital raising costs		182,484	5,476,197
Repayment of lease liabilities		(20,524)	-
Repayment of loan from related party		-	(100,000)
Net cash flows from financing activities		161,960	5,376,197
Net increase in cash and cash equivalents		(4,289,951)	4,077,248
Cash and cash equivalents at the beginning of period		16,587,923	830,872
Cash and cash equivalents at the end of period	7	12,297,972	4,908,120

The accompanying condensed notes form part of the financial statements.

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2021**

Consolidated	Equity \$	Accumulated losses \$	Option Reserve \$	Share Based Payments Reserve \$	Total \$
Balance at 1 July 2021	74,554,301	(58,608,727)	1,007,941	9,939,276	26,892,791
Total comprehensive income for the period Loss for the period	-	(2,082,465)	-	-	(2,082,465)
Total comprehensive income/(loss) for the period	-	(2,082,465)	-	-	(2,082,465)
Transactions with owners recorded directly in equity: Contributions of equity, net of transaction costs Recognised value of share based payments	182,484 -	- -	- -	- 954,633	182,484 954,633
Balance at 31 December 2021	74,736,785	(60,691,192)	1,007,941	10,893,909	25,947,443

Consolidated	Equity \$	Accumulated losses \$	Option Reserve \$	Share Based Payments Reserve \$	Total \$
Balance at 1 July 2020	54,390,770	(56,875,894)	1,007,941	9,616,457	8,139,274
Total comprehensive income for the period Loss for the period	-	(795,243)	-	-	(795,243)
Total comprehensive income/(loss) for the period	-	(795,243)	-	-	(795,243)
Transactions with owners recorded directly in equity: Contributions of equity, net of transaction costs Recognised value of share based payments	5,476,197 -	- -	- -	- 220,181	5,476,197 220,181
Balance at 31 December 2020	59,866,967	(57,671,137)	1,007,941	9,836,638	13,040,409

The accompanying condensed notes form part of the financial statements.

CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2021

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").

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

These general purpose interim financial statements for the half-year reporting period ended 31 December 2021 have been prepared in accordance with requirements of the *Corporations Act 2001* and Australian Accounting Standard AASB 134: *Interim Financial Reporting*. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

This interim financial report is intended to provide users with an update on the latest annual financial statements of Magnetite Mines Limited and its controlled entities (referred to as the "Consolidated Group" or "Group"). As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the Group. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2021, together with any public announcements made during the following half-year.

These interim financial statements were approved and authorized for issue by the board on 10 March 2022.

a) Accounting Policies

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements.

b) New and amended Accounting Standards and Interpretations adopted by the Group

The Group has considered the implications of new and amended Accounting Standards but determined that their application to the financial statements is either not relevant or not material.

c) Mineral exploration and evaluation

The application of the Group's accounting policy for exploration and evaluation expenditure requires judgment in determining whether it is likely that future economic benefits are likely either from future exploitation or sale or where activities have not reached a stage which permits a reasonable assessment of the existence of reserves. The determination of a Joint Ore Reserves Committee (JORC) resource is itself an estimation process that requires varying degrees of uncertainty depending on sub-classification and these estimates directly impact the point of deferral of exploration and evaluation expenditure. The deferral policy requires management to make certain estimates and assumptions about future events or circumstances, in particular whether an economically viable extraction operation can be established. Estimates and assumptions made may change if new information becomes available. If, after expenditure is capitalised, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalised is written off in the statement of profit and loss in the period when the new information becomes available.

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 valuation 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.

d) 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 \$2,082,465 for the half year ended 31 December 2021. Total exploration expenditure written off in the period is \$Nil and no provision for impairment loss was made. The Group had cash assets of \$12,297,972 at 31 December 2021. The Company continually assesses its funding requirements. The directors believe they have the capacity to raise additional working capital should and when that becomes necessary. The Company has the capacity under Listing Rules 7.1 and 7.1A. to raise additional working capital to fund its operations for the ensuing 12 months as well as for corporate and administrative overhead costs and also has the ability to conduct a pro-rata issue for the purpose of raising further funding. The Company has a history of raising funds as and when required.

For these reasons, the directors believe the going concern basis of preparation is appropriate.

CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2021

e) Leases

Initial application of AASB 16 Leases

The first adoption of AASB 16 Leases had no impact on the disclosures or the amounts recognised in the Group's most recent annual financial statements since the Group did not have any operating leases which were more than 12 months as at 30 June 2021. On 14 November 2021, the Group entered into a 3 year lease agreement for a storage unit in Wingfield, South Australia. Therefore the Group has recognised a lease liability and right-of-use asset for all leases (with exception of short-term and low value leases) recognised as operating leases.

Lease liabilities are measured at the present value of the remaining lease payments. The Group's incremental borrowing rate as at 14 November 2021 was used to discount the lease payments.

The right-of-use assets were measured at their carrying values since the commencement date but discounted using the Group's incremental borrowing rate per lease term as at 14 November 2021. The right-of-use assets have been recognised in the statement of financial position as at 14 November 2021. The depreciation of the right-of-use asset has been determined based on the asset's useful life of the term of the lease which is 3 years.

The Group's incremental borrowing rate on 14 November 2021 applied to the lease liabilities was 4.69%.

The impact of the adoption of AASB 16 on the Consolidated Statement of Financial Position as at 31 December 2021, is an increase in assets (right-of-use asset) net of depreciation of \$286,179 and an increase in liabilities (lease liability) of \$279,717 (\$93,160 current & \$186,557 non-current). The impact on the net loss from continuing operations for the half year end is an increase in depreciation expense of \$12,312 and increase in finance costs of \$1,750 up to the life of the lease.

3. REVENUE AND EXPENSES

Revenues and expenses from continuing operations:

	Note	Consolidated	
		31 December 2021 \$	31 December 2020 \$
a) Net finance income			
Bank interest received and receivable		23,840	7,456
		<u>23,840</u>	<u>7,456</u>
b) Other income			
Royalty income		42,242	-
ATO COVID relief		-	37,500
		<u>42,242</u>	<u>37,500</u>
c) Employee benefits expense			
Share based expense ¹	12(a)	954,633	220,181
Salaries and wages		633,702	312,240
		<u>1,588,335</u>	<u>532,421</u>
d) Other expenses			
Contractors and consultants services		200,849	106,515
General and administrative expenses		278,940	137,904
(Profit)/loss on sale of fixed asset		365	3,297
		<u>480,154</u>	<u>247,716</u>
e) Depreciation			
Depreciation on property, plant & equipment and amortisation expenses		16,621	3,527
Depreciation expense per AASB 16	9(c)	12,312	-
		<u>28,933</u>	<u>3,527</u>
f) Borrowing costs			
Interest payable on Convertible Loan Note	15	49,375	50,435
Interest expense from unwinding of interest per AASB 16	9(d)	1,750	-
		<u>51,125</u>	<u>50,435</u>

Note 1: Relates to non-cash expenses in relation to directors and employee options granted in December 2021.
Refer to note 12(a)

CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2021

4. EXPLORATION AND EVALUATION EXPENDITURE

	6 months ended 31 December 2021 \$	12 months ended 30 June 2021 \$
Balance at the beginning of the period	12,863,479	9,500,844
Exploration and evaluation expenditure	3,678,800	3,370,359
Provision for impairment of capitalised exploration expense	-	-
Exploration written off	-	(7,724)
	<u>16,542,279</u>	<u>12,863,479</u>

5. EARNINGS PER SHARE

	31 December 2021 Cents	31 December 2020 Cents
Basic loss per share (cents per share)	(0.066)	(0.031)
Diluted loss per share (cents per share)	(0.066)	(0.031)
Weighted average number of ordinary shares used in the calculation of basic earnings per share	3,145,600,283	2,539,009,737
Weighted average number of ordinary shares and potential ordinary shares used in the calculation of diluted earnings per share	3,145,600,283	2,539,009,737

6. SEGMENT INFORMATION

The consolidated entity has applied AASB 8 Operating Segments. AASB 8 requires the entity to identify operating segments and disclose segment information on the basis of internal reports that are provided to, and reviewed by, the chief operating decision maker of the consolidated entity to allocate resources and assess performance. In the case of the consolidated entity, the chief operating decision maker is the Board of Directors. Operating segments now represent the basis on which the Group reports its segment information to the Board.

Magnetite Mines Limited operates within the exploration industry in Australia and is viewed as a single segment by management. Therefore, no separate segment report is considered necessary.

7. CASH AND CASH EQUIVALENTS

For the purposes of the half year Condensed Consolidated Statement of Cash Flows, cash and cash equivalents comprise the following:

	Consolidated	
	31 December 2021 \$	30 June 2021 \$
Cash at bank and in hand	1,243,837	775,207
Short-term deposits	11,054,135	15,812,716
	<u>12,297,972</u>	<u>16,587,923</u>

Cash at bank earns interest at floating rates based on daily bank deposit rates. Deposits at call earn interest on a 30 to 180 day term basis at bank deposit rates.

8. CONTROLLED ENTITIES

Name	Country of Incorporation	Percentage interest held	
		2021 %	2020 %
Razorback Iron Pty Ltd	AUS	100	100
Razorback Operations Pty Ltd	AUS	100	100
Red Dragon Mining Pty Ltd	AUS	100	100
Ironback Pty Ltd	AUS	100	100

CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2021

9. LEASES

	Note	31 December 2021 \$	30 June 2021 \$
a) Right-of-use assets			
Rental property opening balance		-	-
Additions		298,491	-
Depreciation		(12,312)	-
Rental property closing balance		286,179	-
b) Lease liabilities			
Current		93,160	-
Non-current		186,557	-
		279,717	-
c) Depreciation charge of right-of-use asset			
Depreciation expense per AASB 16		12,312	-
		12,312	-
d) Interest expense on lease liabilities (under net finance income)			
Interest expense from the unwinding of interest per AASB 16	3(f)	1,750	-
		1,750	-
Total half-yearly outflows for leases	9 (c) & 9 (d)	14,062	-

10. CONTRIBUTED EQUITY

a) Issued and paid up capital

	31 December 2021 \$	30 June 2021 \$
Ordinary shares		
Issued and fully paid	74,739,285	75,402,755
Shares yet to be issued	-	6,981
Less: issue costs	(2,500)	(855,435)
	74,736,785	74,554,301

b) Movement in ordinary shares on issue to 31 December 2021

	Number of shares	\$
At 1 July 2021	3,142,157,563	74,554,301
Exercise of unquoted options	7,500,000	137,500
Exercise of quoted options	1,089,318	47,484
Capital raising cost	-	(2,500)
At 31 December 2021	3,150,746,881	74,736,785

CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2021

11. SHARE OPTIONS

	Expiry Date	Exercise Price	Balance at 1 July 2021	Issued during the period	Exercised during the period	Lapsed during the period	Expired during the period	Balance at 31 December 2021
Unquoted options	30 November 2021	2 cents	10,000,000	-	(5,000,000)		(5,000,000)	-
Unquoted options	5 December 2021	10 cents	5,000,000	-	-	-	(5,000,000)	-
Quoted options	18 March 2022	1.5 cents	6,500,000	-	(2,500,000)	-	-	4,000,000
Unquoted options	5 July 2022	4 cents	7,500,000	-	-	-	-	7,500,000
Unquoted options	30 November 2022	5 cents	10,000,000	-	-	-	-	10,000,000
Unquoted options	11 August 2023	1.5 cents	7,000,000	-	-	-	-	7,000,000
Unquoted options	17 March 2024	4.7 cents	4,000,000	-	-	-	-	4,000,000
Unquoted options	1 December 2024	1.5 cents	20,000,000	-	-	-	-	20,000,000
Unquoted options	15 December 2025	2 cents	30,000,000	-	-	-	-	30,000,000
Unquoted options	8 December 2024	3.79 cents	-	52,600,000	-	-	-	52,600,000
Unquoted options	13 December 2024	3.69 cents	-	27,000,000	-	-	-	27,000,000
Quoted options	29 October 2021	5 cents	296,004,660	-	(1,089,318)	-	(294,915,342)	-
Total			396,004,660	79,600,000	(8,589,318)	-	(304,915,342)	162,100,000

CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2021

12. SHARE BASED PAYMENTS

a) Recognised share based expenses

The expense recognised for services received during the period is shown in the table below:

	Consolidated	
	31 December 2021 \$	31 December 2020 \$
Expense arising from options issued to Directors, employees and consultants	954,633	220,181

Terms of valuation of options is as below.

Number of options	52,600,000	Number of options	27,000,000
Grant date	09/12/2021	Grant date	29/11/2021
Share Price at grant date	2.3 cents	Share Price at grant date	2.3 cents
Option exercise price	3.79 cents	Option exercise price	3.69 cents
Expiry date	08/12/2024	Expiry date	13/12/2024
Expected life of the option (years)	3 years	Expected life of the option (years)	3 years
Vesting period (months)	-	Vesting period (months)	-
Dividend yield (%)	-	Dividend yield (%)	-
Expected volatility (%)	100%	Expected volatility (%)	100%
Risk-free interest rate (%)	0.97%	Risk-free interest rate (%)	0.92%
Fair value of options	1.2 cents	Fair value of options	1.2 cents
Vesting date	09/12/2021	Vesting date	14/12/2021

b) Issue of Directors and Employees Options

The Company has an Option Incentive Plan in place which was approved by shareholders on 29 November 2019. During the 6 months ended 31 December 2021, 79,600,000 (2020: 37,000,000) options were issued to directors and employees.

c) Directors and Employee Options

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

	Consolidated	
	Number of Options	WAEP cents
Outstanding at beginning of the period	95,000,000	2.4
Issued during the period	79,600,000	3.75
Options exercised during the period	(7,500,000)	1.8
Expired / lapsed during the period	(5,000,000)	2.0
Outstanding at end of the period	162,100,000	3.1
Exercisable at the end of the period	162,100,000	3.1

13. INTEREST IN JOINT VENTURES

The Group has not entered into any joint venture agreements with third parties in Australia.

14. COMMITMENTS

There are no material outstanding commitments or contingencies which are not disclosed in the interim financial statements of the Company as at 31 December 2021 other than:

a) Mineral tenement expenditure commitments – Australia

The Group has annual expenditure obligations of approximately \$300,000 and \$600,000 after one year but not more than five years with respect to the core assets being the Razorback Iron Project.

If the Group 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.

CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2021

14. COMMITMENTS *continued*

b) Operating Lease Commitments

The Group has a commercial non-cancellable lease expiring on 28 February 2022 on its storage unit in Wingfield, South Australia.

	31 December 2021 \$	30 June 2021 \$
Within one year	5,417	39,751
After one year but not more than five years	-	-
	5,417	39,751

c) Bonds

As at 31 December 2021, the Group has outstanding \$82,588 (30 June 2021: \$32,588) as bonds provided by the Company's bank for mineral tenements in Australia.

d) Bank guarantee

As at 31 December 2021, the Group has outstanding \$29,770 (30 June 2021: \$Nil) as bank guarantee provided by the Group's bankers. The Company has an available bank guarantee limit of \$257,642 and currently this facility has not been utilised by the Company.

e) Directors & Employee Commitments

The Group has entered into contracts with its directors and employees whereby minimum notice periods have been provided by the Group. This totals \$331,833

15. CONTINGENCIES

Contingent asset

As at 31 December 2021, the Group has the following contingent asset:

Rothsay Royalty Agreement

Pursuant to a Royalty Agreement between Silverlake Resources Limited and the Company, dated June 2007 in relation to the Rothsay gold operation owned by Silver Lake, the Company received \$42,242 royalty payment on revenue earned as at 31 December 2021. Under the Royalty Agreement, the Company is entitled to a royalty of A\$10 per ounce of gold extracted from Rothsay tenements commencing once Silver Lake has sold 10,000 ounces. The royalty payable to the Company will cease after the cumulative royalty payments reach an amount of A\$700,000.

Contingent liabilities

As at 31 December 2021, the Group 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 6353 covering the Razorback Ridge area. On 4 September 2019, the Company entered into a Heads of Agreement with the liquidators of Mintech Resources Pty Ltd. The terms of the agreement are as follows:

- 1) The amended face value of the Redeemable Convertible Notes is \$1.975 million (refer to note 16);
- 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".

Mintech was placed in voluntary administration on 9 October 2017 and subsequently placed in the hands of liquidators on 19 April 2019.

CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2021

15. CONTINGENCIES *Continued*

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 which surround the Razorback Ridge area. The Company has the following obligations:

- 1) Resource payments to Goldus calculated at \$0.01 per DTR tonne of measured resources;
- 2) 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
- 3) A 1% Royalty on the Value of the Product produced from the tenement measured at the "mine gate".

16. CONVERTIBLE NOTE LIABILITY

Non-current Liability

	Consolidated	
	31 December 2021 \$	30 June 2021 \$
Redeemable Convertible Notes – Mintech Resources Pty Ltd	1,975,000	1,975,000

Agreement with Mintech Resources Pty Ltd

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 which were approved by the creditors of Mintech at a meeting held on 7 November 2019.

	Amended Terms
Maturity Date:	31 August 2023
Interest:	5% per annum
Face value:	\$1,975,000

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 and a payment of \$180,000 for exploration and evaluation services to Mintech on its other exploration licenses pursuant to the Clause 8 of the Third Variation Deed dated 11 August 2015) be offset against an amount of \$954,646 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.

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.

CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2021

17. TRADE AND OTHER PAYABLES

	Consolidated	
	31 December 2021 \$	30 June 2021 \$
Trade and other payables (1)	1,172,479	327,363
Accruals (2)	32,917	225,494
	<u>1,205,396</u>	<u>552,857</u>

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

Note 2 – Includes interest accrued on Mintech Convertible loan note of \$32,917

18. PROVISIONS

	Consolidated	
	31 December 2021 \$	30 June 2021 \$
Provision for annual and long service leave	243,866	181,760
Provision for rehabilitation	100,000	100,000
	<u>343,866</u>	<u>281,760</u>

19. SUBSEQUENT EVENTS

Since the end of the half year, the Directors are not aware of any matter or circumstance not otherwise dealt with in the Directors' Report or the Financial Statements that has significantly or may significantly affect the state of affairs or operations of the reporting entity in the future financial periods.

Exercise of unquoted directors options

On 2 February 2022, 5,000,000 unquoted directors options exercisable at 1.5 cents each expiring on 1 December 2024 were exercised.

DIRECTORS' DECLARATION

In the opinion of the Directors of Magnetite Mines Limited ("The Company"):

- (1) the financial statements and notes, as set out in pages 4 to 16 are in accordance with the Corporations Act 2001, including:
 - a) complying with Accounting Standards AASB 134: "Interim Financial Reporting" and the Corporations Regulations 2001; and
 - b) giving a true and fair view of the financial position of the Consolidated entity as at 31 December 2021 and of its performance for the half-year ended on that date of the Consolidated entity; and
- (2) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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



Peter Schubert
Executive Chairman

Perth, Western Australia
10 March 2022

INDEPENDENT AUDITOR'S REVIEW REPORT



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

Report on the Half Year Financial Report

Conclusion

We have reviewed the half-year financial report of Magnetite Mines Limited, which comprises the condensed consolidated statement of financial position as at 31 December, the condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date, a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of Magnetite Mines Limited does not comply with the Corporations Act 2001 including:

- (a) giving a true and fair view of the Magnetite Mines Limited financial position as at 31 December 2021 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity. Our responsibilities are further described in the Auditor's Responsibilities for the Review 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 (including Independence Standards) (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the Corporations Act 2001 has been given to the directors of the Company on 10 March 2022.

Responsibility of the Directors for the Financial Report

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

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INDEPENDENT AUDITOR'S REVIEW REPORT



Stantons

Auditor's Responsibility for the Review of the Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Company's financial position as at 31 December 2021 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD
(An Authorised Audit Company)

Stantons International Audit & Consulting Pty Ltd

Martin Michalik
Director

West Perth, Western Australia
10 March 2022