



magnetic resources^{NL}

HALF-YEAR FINANCIAL REPORT
31 DECEMBER 2009

ABN 34 121 370 232



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HALF-YEAR FINANCIAL REPORT

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Your directors submit the financial report of the Company for the half-year ended 31 December 2009.

DIRECTORS

The following persons were directors of Magnetic Resources NL (“Magnetic”) during the whole of the half-year and up to the date of this report:

Mr Peter Thomas, Mr George Sakalidis and Mr Roger Thomson

REVIEW OF OPERATIONS

The comprehensive loss for the half-year ended 31 December 2009 was \$557,839 (2008 – \$1,011,766).

The Company’s activities during the six month period are summarised as follows:

IRON ORE

JUBUK (Magnetic 100%)

The Jubuk iron ore project area near Corrigin has been significantly enhanced during the period with the receipt of testwork, the completion of a large regional airborne magnetic and radiometric survey and commencement of drilling.

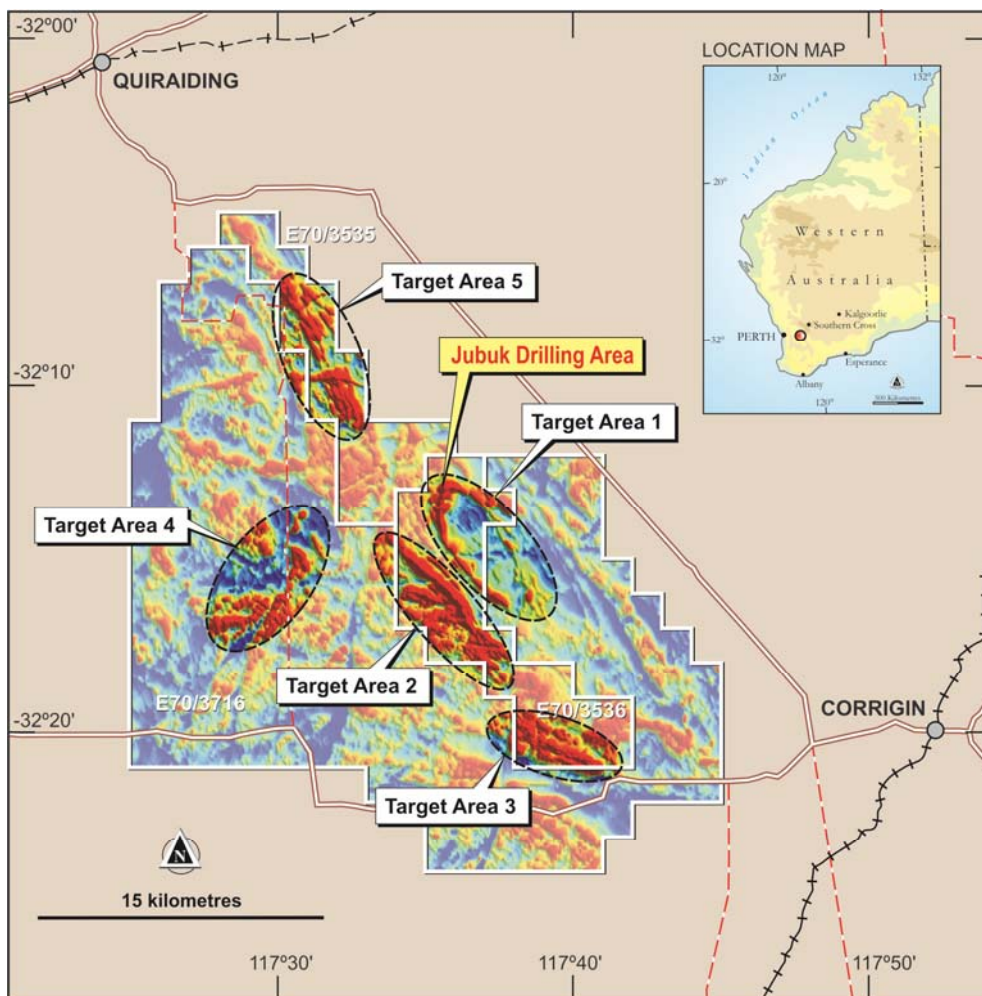


Figure 1
Jubuk Project – Aeromagnetic Interpretation showing Target Areas

Magnetic has completed an airborne regional magnetic and radiometric survey over the 650sq km Jubuk project area. This survey totalled 4,628 line-km at 100m or 200m line spacings. Preliminary interpretation of the data has defined five main target areas covering 70km of potential iron formations (see Figure 1).

Target 1 encompasses the Jubuk outcropping, coarse grained, recrystallised banded iron formation (BIF) which covers a strike length of 1.4km and forms a prominent hill. The prospective iron targets have now been extended to 12km in length. Modelling of the ground magnetic data obtained during the previous quarter has been carried out to refine drilling targets. A ten-hole, 1,200m programme of RC/diamond drilling program to test the priority Jubuk area has commenced.

Target 2 is located only 2km west of the Jubuk Target 1 and contains 17km of potential iron targets. One iron target is 9.5km long and up to 350m wide. Preliminary sampling is planned here, prior to drilling in the near future.

Target 3 located 5km south east of Target 2 contains 5.6km of potential iron targets. Preliminary sampling of any outcropping units is also envisaged. The tenement and access agreements encompassing Target 1, Target 2 and Target 3 have been granted and signed respectively, paving the way for follow up activities in the short term.

Target 4 is approximated 8km west of Target 2 and contains 11.2km of potential iron targets one of which is 5.5km long and 200m wide.

Target 5 is 5km north of Target 1 and contains 10.3km of prospective iron targets, one of which is 3.7km long and contains two separate zones 200m in width.

The eastern end of Target 3 is approximately 15km from the Corrigin railway line and Target 5 is approximately 15km south of the Quairading-Bruce Rock railway line, highlighting the proximity of this project area to established infrastructure.

Preliminary Davis Tube testwork results on surface samples from the Target 1 area have been received. The samples used for the preliminary testwork were taken from four discontinuous chip sampling traverses mostly taken across the strike of the outcropping coarse-grained, recrystallised Jubuk banded iron formation. The four samples were taken within a strike length of 1.4km as shown in Figure 2. The average grades of the sample traverses are shown in Table 1.

**Table 1
Jubuk Chip Sampling Results**

Sample Number	Fe %	Sample Length m
JURC017	39.9	108
JURC020	34.3	48
JURC023	37.3	49
JURC025	37.8	51

Crushed pulverised 20kg samples, Fe determined by XRF analysis

The sample results (average 37.9% Fe over 64m length) indicate significant widths of magnetite-bearing iron formation correlating with a strong magnetic anomaly outlined by ground magnetic surveys. Magnetic is targeting 200-300 million tonnes of coarse grained magnetite-bearing iron formation within the central 10km zone of the stronger magnetic anomalies. This target tonnage is based on surface sampling, aeromagnetics and ground magnetic surveys. The potential quantity and grade is conceptual in nature and there has been insufficient exploration to define a mineral resource at this stage.

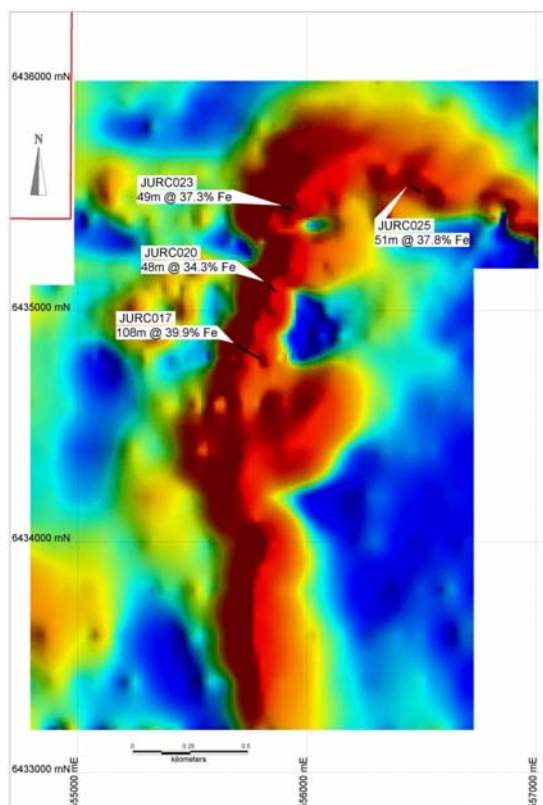


Figure 2
Jubuk Sample Locations and Ground Magnetics

The Davis Tube test results are shown in Table 2.

Table 2
Jubuk Davis Tube Results

Sample Number	Magnetite Recovery %	Magnetite Content %	Fe %	SiO ₂ %	Al ₂ O ₃ %	P %
JURC017	24.8	31.2	69.1	0.9	0.6	0.01
JURC020	20.6	14.3	62.2	10.6	0.6	0.01
JURC023	31.0	6.6	66.3	4.9	0.7	0.01
JURC025	31.0	9.0	63.8	7.4	0.6	0.01

Test samples crushed and then pulverised for 30 seconds

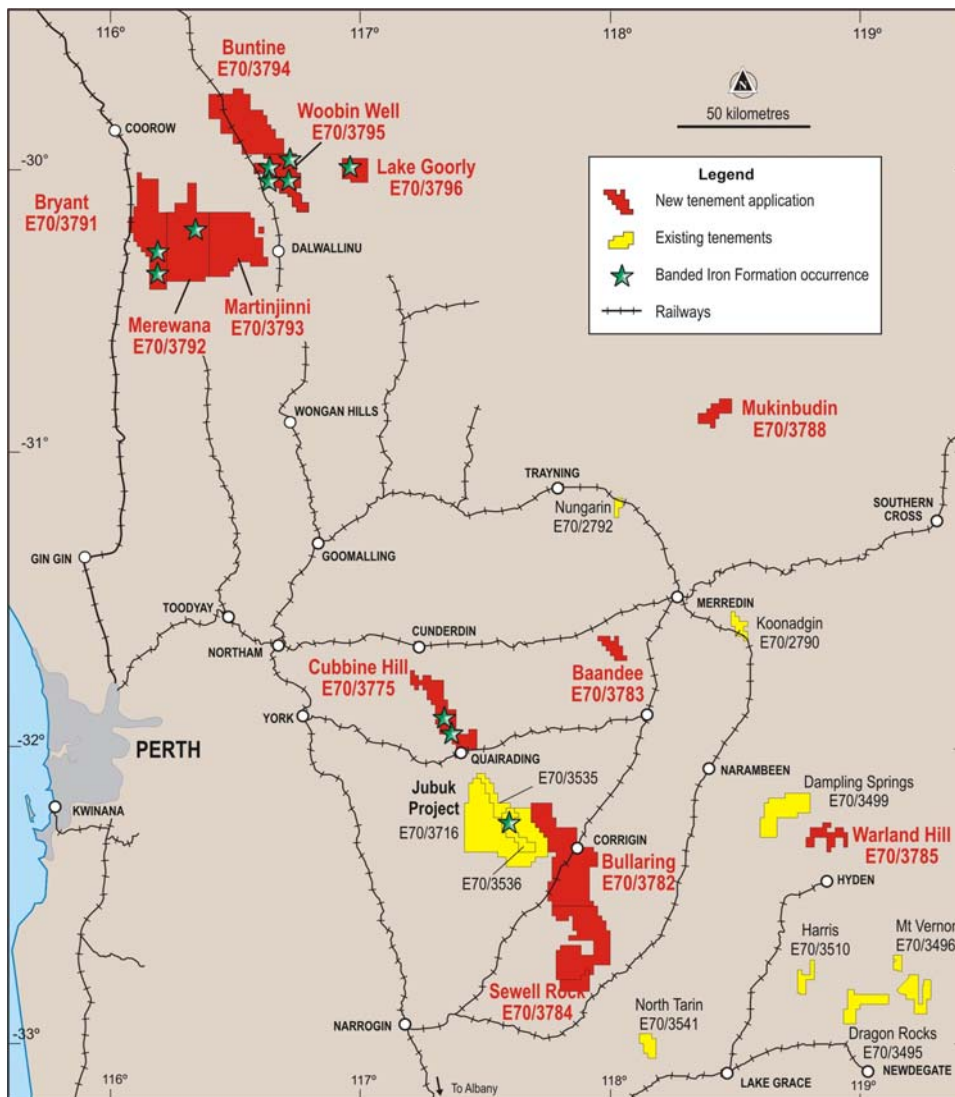
The results indicate that a high iron product with low phosphorus content can be achieved and that some of the near surface magnetite appears to be weathering to other iron oxides, reinforcing the need to obtain fresh rock samples for further testing. A programme of RC and diamond drilling is being planned once cereal cropping has been completed towards the end of the year.

DAMPLING SPRING AND HARRIS (Magnetic 100%)

Access agreements covering the main target areas have been signed. Modelling of ground magnetic data over the target aeromagnetic anomalies has commenced, in order to define drilling targets in these soil covered areas. The target area at Dampling Spring is some 6km in length while at Harris the zone of interest extends over a strike length of about 4.5km.

NEW ACQUISITIONS (Magnetic 100%)

Following the success of the aeromagnetic survey in identifying specific iron ore targets in an area of poor existing aeromagnetic coverage at Jubuk, Magnetic carried out a review of other areas where the geology appears to be favourable (i.e. potential greenstone sequences and BIF in high grade metamorphic terrane) and where existing wide spaced aeromagnetic data indicate iron ore potential close to good infrastructure. As a result, Magnetic has applied for tenements over numerous potential iron ore targets, including mapped BIF occurrences, in the region extending from Lake Grace to Dalwallinu, increasing its ground holdings for iron to some 4,750sq km as shown in Figure 3. Field reconnaissance and preliminary sampling of the BIF occurrences is about to commence.



**Figure 3
Tenement Location Map Showing Rail Infrastructure**

Magnetic is currently obtaining quotes fly high resolution aeromagnetic and radiometric surveys over these broad target areas in order to identify specific targets for follow up sampling and drilling. Magnetic's objective is to continue to seek to identify iron ore that can readily be upgraded to a quality product in areas of good infrastructure and close to ports, thereby enhancing the potential to commercialise any discovery.

URANIUM

SEABROOK (Magnetic 80%, earning up to 100%)

Geochemical sampling has identified a second 2km-long anomalous uranium zone approximately 5km SW of the previously reported uranium anomaly and in a similar drainage setting (ASX release 26 November 2009) as shown in Figure 4. The soil anomaly ranges from 15ppm to 40ppm uranium compared to a background of 7ppm uranium. Environmental and OH&S permitting for proposed drilling of these targets has now been received and is now anticipated to commence in February. Geochemical sampling is in progress on other several uranium targets identified at Seabrook.

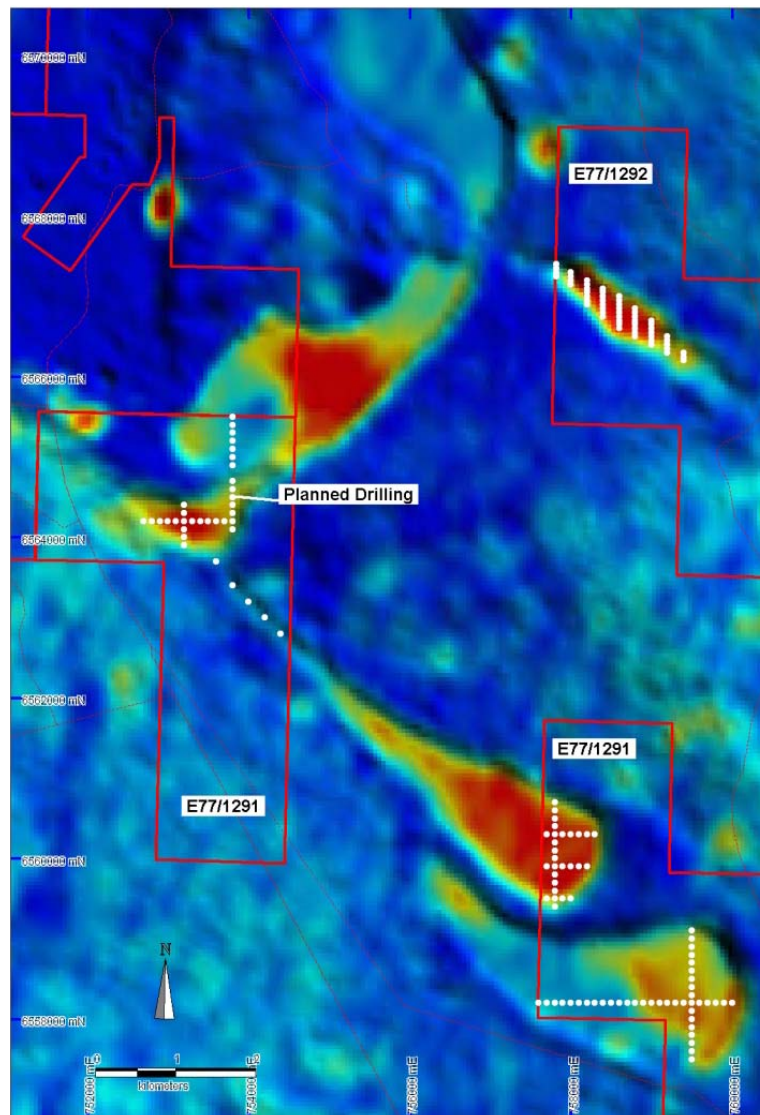


Figure 4
Seabrook Radiometrics and Proposed Drill Hole Locations

26 MILE ROCK (Magnetic 100%)

Geochemical sampling has been completed to assess a 5km-long radiometric anomaly situated on a salt lake margin and analytical results are awaited.

MOUROUBRA (Magnetic 100%)

Mouroubra (E59/1614) is situated 50km south of Paynes Find covering airborne radiometric anomalies on the eastern side of Lake Moore as shown in Figure 5. Reconnaissance sampling has returned anomalous values of 870ppb U in ground water within the Lake Moore drainage system in a similar setting to Seabrook. The strong radiometric anomalies, together with the anomalous uranium geochemistry indicate potential for significant uranium enrichments within reducing environments associated with the Lake Moore drainage system. Follow up sampling to test the nature and extent of the uranium anomaly is being planned.

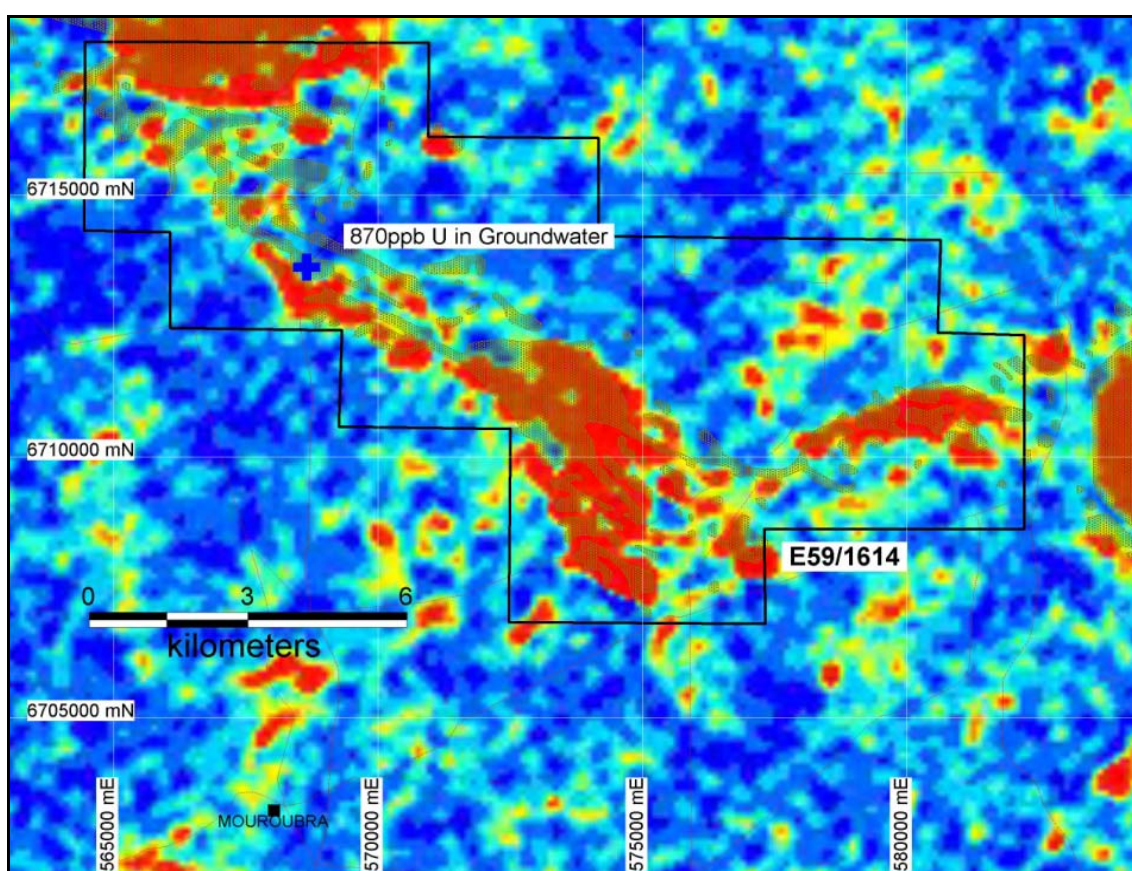


Figure 5
Mouroubra, Airborne Radiometrics

MUNBINIA (Magnetic 100%)

Munbinia (E59/1615 and E59/1623), is situated about 50km west of Mt Magnet. The tenements cover the junction of two interpreted palaeo-channels, each with anomalous airborne radiometric responses. Significantly, the radiometric responses coincide with extensive areas of mapped calcrete as shown in Figure 6. Calcrete can form a favourable host to shallow, high grade secondary uranium mineralisation. Preliminary sampling has been carried out with analysis of these samples currently in progress.

JUMPING JACK (Magnetic 100%)

Jumping Jack (E59/1616) is situated 75km west of Mt Magnet. Airborne radiometric data show a substantial area of uranium anomalism located just north of an area of mapped calcrete and surrounding a small lake which may represent a meander in a palaeo-channel system, as shown in Figure 7. Meanders can create favourable areas for accumulation of organic material which may result in the precipitation of uranium from solution to form shallow secondary uranium deposits.

Magnetic is planning to complete a reconnaissance sampling program during the next quarter, to assess the potential for shallow secondary uranium mineralisation.

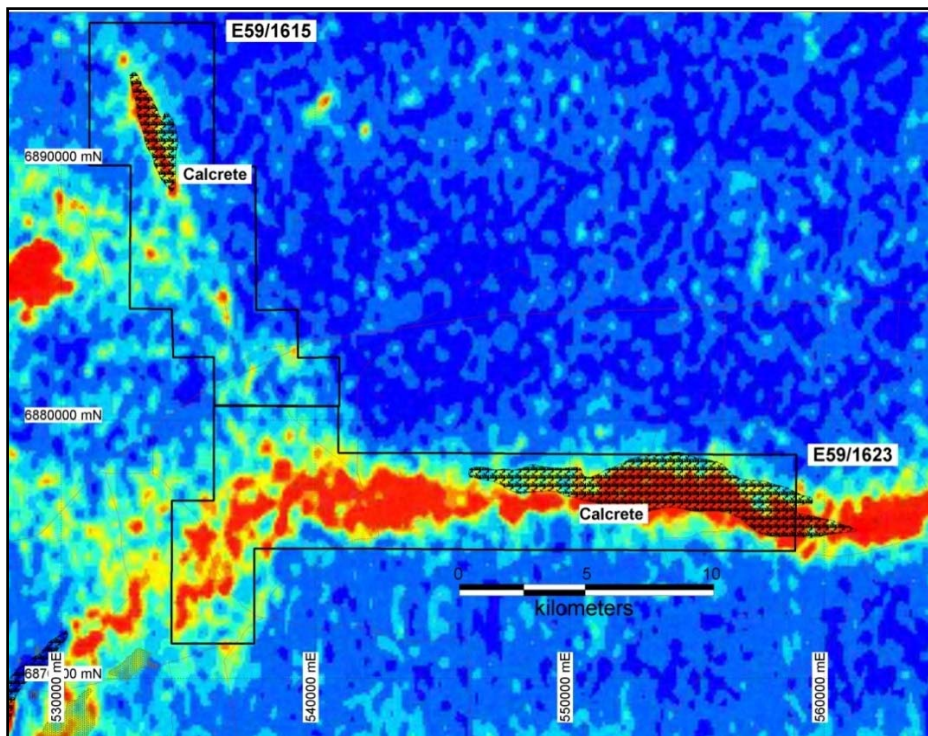
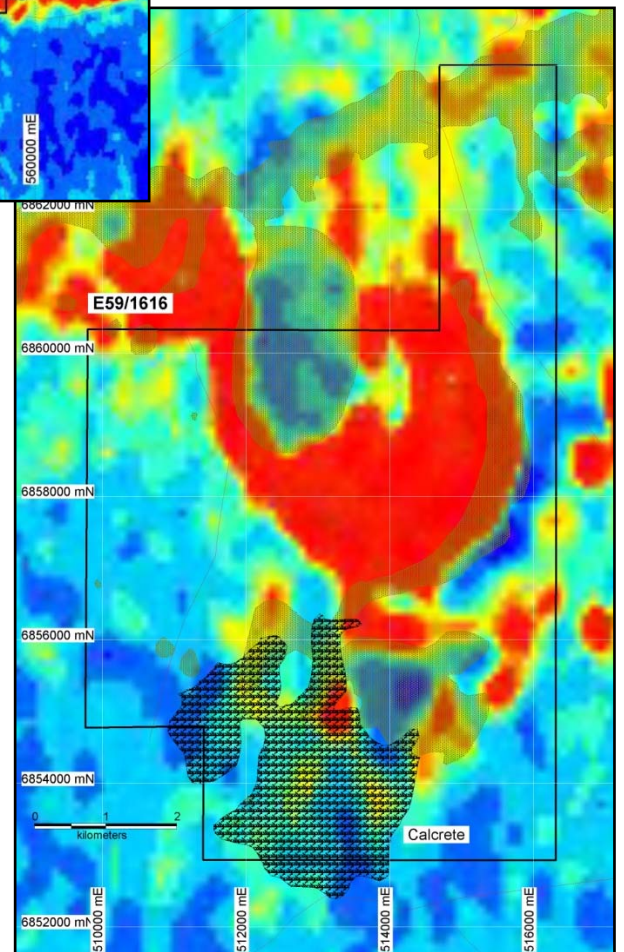


Figure 6
Munbinia, Airborne
Radiometrics and
Calcrete Occurrences

Figure 7
Jumping Jack, Airborne
Radiometrics and Calcrete
Occurrences



GOLD

During the period, Magnetic reached an agreement with Pacific Ore Limited (ASX:PSF) on two granted exploration licences at Tampia North near Merredin and on two granted exploration licences and one exploration licence application near Lake Grace, WA .

The Tampia North tenements, where Magnetic holds an 80% interest with rights to earn a 100% interest, cover a 30km strike on an interpreted shear zone where gold anomalies and indications of gold mineralisation have been outlined by geochemical sampling and shallow drilling. Soil sampling to define drill targets has commenced on properties where access agreements have been obtained.

The Lake Grace and Holland Rocks tenements, where Magnetic holds a 100% interest, cover a cumulative 60km strike length of an interpreted shear zone where geochemical sampling has identified several gold-anomalous areas and where limited historical drilling reported a best intersection of 1m @ 34g/t Au from 94m. Negotiations are in progress with landowners for access in the Lake Grace and Holland Rocks tenements and sampling is planned to commence in the near future.

The information in this report is based on information compiled or reviewed by George Sakalidis BSc (Hons), who is a member of the Australasian Institute of Mining and Metallurgy. George Sakalidis is a director of Magnetic Resources NL. George Sakalidis has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. George Sakalidis consents to the inclusion of this information in the form and context in which it appears in this report.

INDEPENDENCE DECLARATION BY AUDITOR

The lead auditor's independence declaration under section 307C of the Corporations Act 2001 is set out on page 11 for the half-year ended 31 December 2009.

This report has been signed in accordance with a resolution of directors.

For and on behalf of the Directors

Signed:

G SAKALIDIS

Managing Director
15 March 2010

AUDITOR'S INDEPENDENCE DECLARATION



Auditors Independence Declaration

As lead auditor for the review of Magnetic Resources NL for the half year ended 31 December 2009, I declare under Section 307C of the *Corporations Act 2001*, that to the best of my knowledge and belief, there have been:

- no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review and
- no contraventions of any applicable code of professional conduct in relation to the review.

Somes and Cooke

Kevin Somes
Partner

1304 Hay Street
West Perth WA 6005
Date: 15 March 2010

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2009**



	Notes	Half Year Ended 31 Dec 2009 (\$)	Half Year Ended 31 Dec 2008 (\$)
Revenue:			
Interest income		17,794	51,624
Expenses:			
Depreciation expense		(17,261)	(17,158)
Exploration and tenement expenses written off		(352,960)	(697,973)
Share based payments		(84,000)	-
Other expenses		<u>(190,112)</u>	<u>(175,681)</u>
(Loss) before income tax expense		(626,539)	(839,188)
Income tax expense		<u>-</u>	<u>-</u>
(Loss) from continuing operations		<u>(626,539)</u>	<u>(839,188)</u>
Other comprehensive income:			
Changes in the fair value of available-for-sale financial assets		68,700	(172,578)
Income tax relating to other comprehensive income		<u>-</u>	<u>-</u>
Other comprehensive income/(loss) for the period, net of tax		<u>68,700</u>	<u>(172,578)</u>
Total comprehensive income/(loss) for the period		<u>68,700</u>	<u>(172,578)</u>
Total (Loss) and Comprehensive income/(loss) for period attributable to members of Magnetic Resources NL		<u>(557,839)</u>	<u>(1,011,766)</u>
Basic (loss) per share (cents per share)		(1.1768)	(2.5747)
Diluted (loss) per share (cents per share)		<u>(1.1768)</u>	<u>(2.5747)</u>

The accompanying notes form part of these financial statements.

**STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2009**



	Notes	31 Dec 2009 (\$)	30 June 2009 (\$)
Current Assets			
Cash assets		1,186,455	822,377
Receivables		96,437	124,746
Prepayments		7,021	-
Total Current Assets		<u>1,289,913</u>	<u>947,123</u>
Non-Current Assets			
Plant, equipment and motor vehicles		86,720	103,305
Other financial assets	3	274,394	205,694
Total Non-Current Assets		<u>361,114</u>	<u>308,999</u>
TOTAL ASSETS		<u>1,651,027</u>	<u>1,256,122</u>
Current Liabilities			
Payables		44,317	98,398
Total Current Liabilities		<u>44,317</u>	<u>98,398</u>
TOTAL LIABILITIES		<u>44,317</u>	<u>98,398</u>
NET ASSETS		<u>1,606,710</u>	<u>1,157,724</u>
Equity			
Contributed equity	4	5,811,417	4,888,592
Reserves		93,000	9,000
Accumulated losses		(4,297,707)	(3,739,868)
TOTAL EQUITY		<u>1,606,710</u>	<u>1,157,724</u>

The accompanying notes form part of these financial statements.

**STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2009**



Share Capital (Net of Costs)	Employee Benefit Reserve	Available for Sale Asset Reserve	Accumulated Losses	Total
(\$)	(\$)	(\$)	(\$)	(\$)

Balance at 1.7.2008	4,581,009	9,000	-	(2,221,384)	2,368,625
Total comprehensive (loss) for the period			(172,578)	(839,188)	(1,011,766)
Transfer of Available for Sale Asset Reserve			172,578	(172,578)	-
Balance at 31.12.2008	4,581,009	9,000	-	(3,233,150)	1,356,859

Balance at 1.7.2009	4,888,592	9,000	-	(3,739,868)	1,157,724
Shares issued during the period	972,675				972,675
Share issue costs	(49,850)				(49,850)
Share based payments		84,000			84,000
Total comprehensive (loss) for the period			68,700	(626,539)	(557,839)
Balance at 31.12.2009	5,811,417	93,000	68,700	(4,366,407)	1,606,710

The accompanying notes form part of these financial statements.

**STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2009**



	Half Year Ended 31 Dec 2009 (\$)	Half Year Ended 31 Dec 2008 (\$)
CASH FLOWS FROM OPERATING ACTIVITIES		
GST refunds received	71,442	31,053
Payments to suppliers and contractors	(277,371)	(328,106)
Interest received	17,794	51,624
Net cash provided by / (used in) operating activities	<u>(188,135)</u>	<u>(245,429)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of plant and equipment	(676)	-
Payments for exploration and evaluation	(332,776)	(691,501)
Purchase of new prospects	(37,160)	(15,461)
Net cash provided by / (used in) investing activities	<u>(370,612)</u>	<u>(706,962)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from new issues of shares	972,675	-
Share issue costs	(49,850)	-
Net cash provided by financing activities	<u>922,825</u>	<u>-</u>
Net (decrease) / increase in cash held	364,078	(952,391)
Cash at the beginning of the financial period	822,377	2,005,291
Cash at the end of the financial period	<u>1,186,455</u>	<u>1,052,900</u>

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2009



NOTE 1 BASIS OF PREPARATION

These general purpose financial statements for the interim half-year reporting period ended 31 December 2009 have been prepared in accordance with the requirements of the Corporations Act 2001 and Australian Accounting Standards including AASB 134: Interim Financial Reporting. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards.

This interim financial report is intended to provide users with an update on the latest annual financial statements of the Company. As such, it does not contain information that represents relatively insignificant changes occurring during the half-year. It is therefore recommended that this financial report be read in conjunction with the annual financial statements for the year ended 30 June 2009, together with any public announcements made by the Company during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001.

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 except for the adoption of the following new and revised Accounting Standards.

Accounting Standards not previously applied

The Company has adopted the following new and revised Australian Accounting Standards issued by the AASB which are mandatory to apply to the current interim period. Disclosures required by these Standards that are deemed material have been included in this financial report on the basis that they represent a significant change in information from that previously made available.

Presentation of Financial Statements

AASB 101 prescribes the contents and structure of the financial statements. Changes reflected in this financial report include:

- the replacement of Income Statement with Statement of Comprehensive Income. Items of income and expense not recognised in profit or loss are now disclosed as components of "other comprehensive income". In this regard, such items are no longer reflected as equity movements in the Statement of Changes in Equity;
- the adoption of the single statement approach to the presentation of the Statement of Comprehensive Income; and
- other financial statements are renamed in accordance with the Standard.

Operating Segments

From 1 January 2009, operating segments are identified and segment information, if required, disclosed on the basis of internal reports that are regularly provided to, or reviewed by, the Company's chief operating decision maker which, for the Company, is the board of directors.

NOTE 2 OPERATING SEGMENTS

Segment Information

Identification of reportable segments

The Company has identified that it operates in only one segment based on the internal reports that are reviewed and used by the board of directors (chief operating decision makers) in assessing performance and determining the allocation of resources. The Company's principal activity is mineral exploration.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2009**



NOTE 2 OPERATING SEGMENTS (Continued)

Revenue and assets by geographical region

The Company's revenue is received from sources and assets are located wholly within Australia.

Major customers

Due to the nature of its current operations, the Company does not provide products and services.

NOTE 3 OTHER FINANCIAL ASSETS

**Half Year
Ended
31 Dec 2009
(\$)**

Available for sale assets

Balance 1 July	205,694
Increase/(Decrease) in fair value	68,700
Balance 31 December	<u>274,394</u>

NOTE 4 CONTRIBUTED EQUITY

Ordinary Fully Paid Shares

	Number	\$
Balance 1 July 2009	45,191,253	4,888,592
Shares issued during the period	5,895,000	972,675
Share issue costs	-	(49,850)
Total Ordinary Fully Paid Shares Issued at 31 December 2009	<u>51,086,253</u>	<u>5,811,417</u>

Contributing Shares

Balance 1 July 2009	18,945,572	-
Total Contributing Shares Issued at 31 December 2009	<u>18,945,572</u>	<u>-</u>

Total Equity

5,811,417

Unlisted Options to acquire Fully Paid Ordinary Shares

Issued to directors and company secretary, exercisable at \$0.2709 each on or before 23 December 2014	2,100,000	-
Total Options to acquire Fully Paid Ordinary Shares at 31 December 2009	<u>2,100,000</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2009



NOTE 5 TENEMENT EXPENDITURE COMMITMENTS

The Company has entered into certain obligations to perform minimum exploration work on tenements held or joint ventured into. These obligations vary from time to time in accordance with contracts signed. Tenement rentals and minimum expenditure obligations which may be varied or deferred on application are expected to be met in the normal course of business.

The minimum statutory expenditure requirement on the granted tenements for the next twelve months amounts to \$670,667. The tenements are located in Western Australia and are subject to legislative requirements with respect to the processes for application, grant, conversion and renewal. The tenements are also subject to the payment of annual rent and the meeting of minimum annual expenditure commitments. There is no guarantee that any applications, conversions or renewals for the Company's tenements will be granted. The inability of the Company to meet rent and expenditure requirements may adversely affect the standing of its tenements.

NOTE 6 EVENTS SUBSEQUENT TO REPORTING DATE

Since the end of this reporting period, the Company made a private placement of 3,700,000 ordinary fully paid shares at a price of \$0.40 each. This contributed \$1,480,000 to the Company's cash holdings and will be utilised in developing its iron ore tenements.

Other than the above capital raising, there have been no matters or circumstances that have arisen since 31 December 2009 which have significantly affected or may significantly affect:

- (a) the Company's operations in future years; or
- (b) the results of those operations in future years; or
- (c) the Company's state of affairs in future years.

NOTE 7 CONTINGENT LIABILITIES

Native Title

The Company's activities in Australia are subject to the Native Title Act and its interpretation.

The Native Title Act recognises the title rights of indigenous Australians over areas where those rights have not been extinguished. State and Commonwealth native title legislation regulates the recognition, application and protection of native title. Native title may affect the status, renewal and conversion of existing tenements and the granting of new tenements. Indigenous land use agreements, including terms of compensation, heritage survey and protection agreements or other agreement types may need to be negotiated with affected parties.

The Native Title Act prescribes procedures applicable to the grant of tenements which apply even in the case of, for instance, a granted exploration licence being "converted" to, say, a mining lease. Compensation may become payable in respect of any impact which the grant of any tenements or other activities have on native title. A tenement holder may be liable for the payment of compensation for the affect of mining and exploration activities on any native title rights and interests that exist in the area covered by a tenement. Compensation may be payable in forms other than money, including the transfer of property and the provision of goods and services.

It is not currently possible to assess whether compensation will be payable by the Company to native title holders in relation to any of the tenements but such compensation could be significant.

There may be sites and objects of significance to indigenous Australians located on the land relating to the Company's tenements. State and Commonwealth Aboriginal heritage legislation aims to preserve and protect these sites and objects from use in a manner inconsistent with Aboriginal tradition. The Company proposes carrying out 'clearance surveys' if it considers this to be appropriate before conducting any exploration work that would disturb the surface of the land.

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2009



The Company's tenements may contain some such sites of significance, which would need to be avoided or cause delays. It is possible that areas containing mineralisation or an economic resource may also contain sacred sites, in which case they may remain unexploited. Access agreements will need to be negotiated with affected parties.

Native title, Aboriginal heritage or other indigenous matters are matters of substantial risk (giving rise to the threat that certain tenements may not be granted, access to certain tenements may be denied or delayed in addition to potentially significant cost exposure in respect of things such as negotiations, surveys, incentive payments and compensation to name but a few) as the legislative frame works provide torturous and frequently uncertain routes to the endeavour by both stakeholders (that is explorers/miners and indigenous peoples) to attain certainty.

It is not possible to quantify the financial or other impact native title and Aboriginal heritage will have upon the Company as, amongst other things, the processes involved with:

- (a) identifying all and only the indigenous peoples with a relevant interest;
- (b) registering an indigenous land use agreement;
- (c) obtaining access to land without infringing the provisions of the Aboriginal Heritage Act;

are open ended, can involve substantial delay and cost and there can be no certainty as to the outcome with it being possible for projects to be entirely frustrated.

This could be the case, for instance, even in circumstances where:

- (a) a native title party consents to the grant of an exploration licence and assists the exploration endeavour thereon (and the discovery of an otherwise economic deposit);
- (b) the Company, in order to exploit that discovery, applies for a mining lease (or other required approval, consent, authority etc.) but such grant, approval, consent or authority is not forthcoming by reason of an objection by the same or another native title party.

Freehold Access

The interests of holders of freehold land encroached by tenements are given special recognition by the Mining Act (WA). As a general proposition, a tenement holder must obtain the consent of the owner of freehold before conducting operations on the freehold land. There can be no assurance that the Company will secure rights to access those portions of the tenements encroaching freehold land, either at all or for all purposes, but, importantly, the grant of freehold extinguished native title so wherever the tenements encroach freehold either at all or for all purposes the Company is in the position of not having to abide by the Native Title Act albeit aboriginal heritage matters will still be of concern.

DIRECTORS' DECLARATION



The directors of the Company declare that:

1. the accompanying financial statements and notes:
 - (a) comply with Accounting Standard AASB 134 : Interim Financial Reporting and the Corporations Regulations 2001; and
 - (b) give a true and fair view of the financial position of the Company as at 31 December 2009 and its performance for the half-year ended on that date.
2. in the directors' opinion 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:

Signed at Perth: **George Sakalidis**
Managing Director

Dated this 15th day of March 2010.



Independent Auditor's Review Report

To the members of Magnetic Resources NL

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Magnetic Resources NL, which comprises the statement of financial position as at 31 December 2009, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, other selected explanatory notes and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the 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 2009 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*. As the auditor of Magnetic Resources NL, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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



Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001* and we can confirm that the independence declaration required by the *Corporations Act 2001* has been provided to the directors of Magnetic Resources NL on the date of this report.

Conclusion

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

- (a) giving a true and fair view of the entity's financial position as at 31 December 2009 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 Interim Financial Reporting and *Corporations Regulations 2001*.

Somes and Cooke
Chartered Accountants

Kevin Somes
Partner

15 March 2010