INTERIM FINANCIAL STATEMENTS
31 DECEMBER 2022

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

CONTENTS

CORPORATE DIRECTORY

DIRECTORS	Mark Eames	(Chair of the Board)
	Peter Schubert	(Non-Executive Director)
	Jim McKerlie	(Non-Executive Director)
	Paul White	(Non-Executive Director)
	Simon Wandke	(Non-Executive Director)
	Carmen Letton	(Non-Executive Director – Appointed on 25 January 2023)
	Malcolm Randall	(Non-Executive Director – Resigned on 23 November 2022)
COMPANY SECRETARY	Ian Kirkham	(Appointed 20 July 2022)
	John Rodriguez	(From 3 December 2021 to 20 July 2022)
REGISTERED OFFICE	Suite 1, 1st Floor, 22 Greenhill Road Wayville, South Australia 5034	
	Telephone:	(+61 8) 8427 0516
	Email:	info@magnetitemines.com
	Website:	www.magnetitemines.com
	ABN:	34 108 102 432
SHARE REGISTRY	Computershare Investor Services Pty Ltd Level 11, 172 St Georges Terrace PERTH WA 6000	
	Telephone (within Australia):	1300 850 505
	Telephone (outside Australia):	(+61 3) 9415 4000
	Facsimile:	(+61 8) 9323 2033
AUDITORS	Ernst & Young 121 King William Street Adelaide, SA 5000	(Appointed on 23 November 2022)
	Stantons International 40 Kings Park Road West Perth WA 6005	(Resigned on 23 November 2022)
STOCK EXCHANGE LISTING	The Company's shares are listed and quoted on the Australian Securities Exchange Limited ("ASX").	
	ASX Code:	MGT

DIRECTORS' REPORT

The directors present their financial statements for the half year ended 31 December 2022.

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.

Mark R Eames	(Chair of the Board)
Peter Schubert	(Non-Executive Director)
Jim McKerlie	(Non-Executive Director)
Paul White	(Non-Executive Director)
Simon Wandke	(Non-Executive Director)
Carmen Letton	(Non-Executive Director – Appointed on 25 January 2023)
Malcolm Randall	(Non-Executive Director – Resigned on 23 November 2022)

RESULT

The operating loss of the Consolidated Entity after tax for the period ended 31 December 2022 was $2,845,520 (2021: Loss $2,082,465).

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 2022 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 - 21 December 2022 – Peer review confirms Razorback Process Plant Design
- ASX Announcement - 23 November 2022 – AGM – CEO Presentation
- ASX Announcement - 16 November 2022 – Chair's Address for 2022 AGM
- ASX Announcement - 3 November 2022 – Muster Dam Mineral Resource Estimate
- ASX Announcement - 24 October 2022 - Activities and Cash flow Reports for period ending 30 September 2022
- ASX Announcement - 13 September 2022 – MGT transforming to meet growing high-grade market
- ASX Announcement - 23 August 2022 – Appointment of Chief Executive Officer
- ASX Announcement - 21 July 2022 – Positive interim metallurgical test results
- ASX Announcement - 07 July 2022 – Appointment of Company Secretary

Below is a summary of key operational announcements made subsequent to half-year ended 31 December 2022.

- ASX Announcement - 28 February 2023 – Metallurgy Confirms Flowsheet and DR Pellet Feed Potential
- ASX Announcement - 23 February 2023 – Renewable Grid Power for Razorback Project
- ASX Announcement - 9 February 2023 – Iron Peak Mineral Resource Significantly Improved
- ASX Announcement - 6 February 2023 - MGT and CFG Alliance Sign Port Services MOU
- ASX Announcement - 31 January 2023 - Activities and Cash flow Reports for period ending 31 December 2022
- ASX Announcement - 25 January 2023 –Dr Carmen Letton Appointed as Non-Executive Director
- ASX Announcement - 16 January 2023 – Razorback project Optimisation Studies

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.

- Dr Carmen Letton was appointed as Non-Executive Director on 25 January 2023.
- 276,009 unlisted LTI Options exercisable at $0.78, expiring on 1 February 2029 were issued on 2 February 2023.
- 714,837 STI Performance Rights vesting on 30 September 2023 were issued on 2 February 2023.

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 2022.

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

Mark Eames
Chair of the Board

9 March 2023

Building a better
working world

Ernst & Young
121 King William Street
Adelaide SA 5000 Australia
GPO Box 1271 Adelaide SA 5001

Tel: +61 8 8417 1600
Fax: +61 8 8417 1775
ey.com/au

Auditor's independence declaration to the directors of Magnetite Mines Limited

As a lead auditor for the review of the half-year financial report of Magnetite Mines Limited for the half-year ended 31 December 2022, I declare to the best of my knowledge and belief, there have been:

a. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review;

b. No contraventions of any applicable code of professional conduct in relation to the review; and

c. No non-audit services provided that contravene any applicable code of professional conduct in relation to the review.

This declaration is in respect of Magnetite Mines Limited and the entities it controlled during the financial period.

Ernst & Young

Ernst & Young

L A Carr

L A Carr
Partner
9 March 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF YEAR ENDED 31 DECEMBER 2022

	Notes	Consolidated 31 December 2022 $	Consolidated 31 December 2021 $
REVENUE FROM OPERATIONS			
Net finance income	3(a)	140,647	23,840
Other income	3(b)	100,311	42,242
		240,958	66,082
EXPENDITURE			
Depreciation and amortisation expenses	3(e)	(120,414)	(28,933)
Employee benefits expenses	3(c)	(2,036,002)	(1,588,335)
Exploration expenses	4	(13,821)	-
Other expenses	3(d)	(851,362)	(480,154)
Borrowing costs	3(f)	(64,879)	(51,125)
Loss before income tax expense		(2,845,520)	(2,082,465)
Income tax expense		-	-
Net loss for the period		(2,845,520)	(2,082,465)
Total comprehensive loss and income for the period		(2,845,520)	(2,082,465)
Net Loss attributable to:			
Members of the parent entity		(2,845,520)	(2,082,465)
Total comprehensive loss attributable to:			
Members of the parent entity		(2,845,520)	(2,082,465)
Earnings per share attributable to the ordinary equity holders of the parent entity:		Cents per share	Cents per share
Basic (loss)/earnings for the half-year	5	(3.75)	(3.31)
Diluted (loss)/earnings for the half-year	5	(3.75)	(3.31)

The accompanying notes form part of the financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022

		Consolidated	
	Notes	31 December 2022 $	30 June 2022 $
ASSETS			
Current Assets			
Cash and cash equivalents	7	9,596,110	19,347,437
Trade and other receivables		303,510	738,488
Total Current Assets		9,899,620	20,085,925
Non-Current Assets			
Trade and other receivables	14(b)	112,588	112,588
Property, plant and equipment		119,297	128,478
Exploration and evaluation expenditure	4	29,903,138	25,228,677
Intangibles		-	27
Right of use of assets	9(a)	442,591	236,306
Total Non-Current Assets		30,577,614	25,706,076
TOTAL ASSETS		40,477,234	45,792,001
LIABILITIES			
Current Liabilities			
Trade and other payables	17	547,743	3,897,142
Lease liabilities	9(b)	251,963	100,816
Convertible loan	16	1,975,000	-
Provisions	18	254,379	332,830
Total Current Liabilities		3,029,085	4,330,788
Non-Current Liabilities			
Lease liabilities	9(b)	168,906	136,808
Convertible loan	16	-	1,975,000
Total Non-Current Liabilities		168,906	2,111,808
TOTAL LIABILITIES		3,197,991	6,442,596
NET ASSETS		37,279,243	39,349,405
EQUITY			
Contributed equity	10(a)	89,514,531	89,551,446
Reserves		12,880,617	12,068,344
Accumulated losses		(65,115,905)	(62,270,385)
TOTAL EQUITY		37,279,243	39,349,405

The accompanying notes form part of the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 31 DECEMBER 2022

	Notes	Consolidated 31 December 2022 $	31 December 2021 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		(2,230,164)	(1,082,009)
Interest received		135,688	8,407
Other income		46,991	-
Interest paid		(98,750)	(98,750)
Net cash flows used in operating activities		(2,146,235)	(1,172,352)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for tenements, exploration and evaluation expenditure		(7,332,652)	(3,139,042)
Payments for plant and equipment		(18,115)	(93,972)
Payment for security deposits		-	(50,000)
Proceeds from disposal of plant and equipment		2,844	3,455
Net cash flows used in investing activities		(7,347,923)	(3,279,559)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from /(refund for) issuance of shares net of capital raising costs		(122,705)	182,484
Repayment of lease liabilities		(134,464)	(20,524)
Net cash flows from financing activities		(257,169)	161,960
Net decrease in cash and cash equivalents		(9,751,328)	(4,289,951)
Cash and cash equivalents at the beginning of period		19,347,437	16,587,923
Cash and cash equivalents at the end of period	7	9,596,110	12,297,972

The accompanying notes form part of the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2022

Consolidated	Equity $	Accumulated losses $	Option Reserve $	Share Based Payments Reserve $	Total $
Balance at 1 July 2022	89,551,446	(62,270,385)	1,086,935	10,981,409	39,349,405
Total comprehensive income for the period					
Loss for the period	-	(2,845,520)	-	-	(2,845,520)
Total comprehensive income/(loss) for the period	-	(2,845,520)	-	-	(2,845,520)
Transactions with owners recorded directly in equity:					
Contributions of equity, net of transaction costs	(36,915)	-	-	-	(36,915)
Recognised value of share based payments	-	-	-	812,273	812,273
Balance at 31 December 2022	89,514,531	(65,115,905)	1,086,935	11,793,682	37,279,243

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	182,484	-	-	-	182,484
Recognised value of share based payments	-	-	-	954,633	954,633
Balance at 31 December 2021	74,736,785	(60,691,192)	1,007,941	10,893,909	25,947,443

The accompanying notes form part of the financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2022

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 2022 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 2022, together with any public announcements made during the following half-year.

These interim financial statements were approved and authorised for issue by the board on 9 March 2023.

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 and evaluation 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 a 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 $2,845,520 for the half year ended 31 December 2022. Total exploration expenditure written off in the period is $13,821 and no provision for impairment loss was made. The Group had cash assets of $9,596,110 at 31 December 2022 and expended $7,332,652 on exploration and evaluation during the period. The net working capital surplus is $6,870,535. Further exploration and evaluation expenditure will be incurred over the next 12 month period as the company continues to progress optimisation studies and commences its planned Definitive Feasibility Study for the Razorback project.

Going concern ***continued***

The consolidated entity has prepared a cash flow forecast, which indicates that current cash balances are insufficient to meet its ongoing planned expenditure. These conditions indicate the existence of a material uncertainty that may cast significant doubt over the consolidated entity's ability to continue as a going concern over the next 12 months, and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business. This material uncertainty is consistent with that which existed at 30 June 2022.

The directors remain confident, based on past performance, that they will be successful in their plan to raise further funds from the issue of equity, Razorback project sell-down or carry, or debt to fund the Group's ongoing planned expenditure. Directors can also defer or reduce corporate and/or exploration and evaluation expenditures at relatively short notice if required.

Should the Group be unable to continue as a going concern it may be required to realise its assets and discharge its liabilities other than in the normal course of business and at amounts different from those stated in the financial statements. The financial statements do not include adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of recorded liabilities that might be necessary should the consolidated entity not continue as a going concern.

3. REVENUE AND EXPENSES

Revenues and expenses:

		Note	Consolidated	
			31 December 2022 $	**31 December 2021 $**
a)	**Net finance income**			
	Bank interest received and receivable		140,647	23,840
			140,647	23,840
b)	**Other income**			
	Royalty income		95,481	42,242
	Fuel Tax Credit		4,830	-
			100,311	42,242
c)	**Employee benefits expense**			
	Share based expense[1]	12(a)	812,273	954,633
	Salaries and wages		1,223,729	633,702
			2,036,002	1,588,335

Note 1: Relates to non-cash expenses in relation to directors and employee options and performance rights granted in December 2022. Refer to note 12(a)

		Note	31 December 2022 $	31 December 2021 $
d)	**Other expenses**			
	Contractors and consultants services		250,702	200,849
	General and administrative expenses		600,676	278,940
	(Profit)/loss on sale of fixed asset		(16)	365
			851,362	480,154
e)	**Depreciation**			
	Depreciation on property, plant & equipment and amortisation expenses		24,495	16,621
	Amortisation expense on ROU asset	9(c)	95,919	12,312
			120,414	28,933
f)	**Borrowing costs**			
	Interest payable on Convertible Loan Note	15	49,375	49,375
	Interest expense from unwinding of lease liabilties	9(d)	15,504	1,750
			64,879	51,125

4. EXPLORATION AND EVALUATION EXPENDITURE

	6 months ended 31 December 2022 $	12 months ended 30 June 2022 $
Balance at the beginning of the period	25,228,677	12,863,479
Exploration and evaluation expenditure	4,688,282	12,372,466
Exploration written off	(13,821)	(7,268)
	29,903,138	25,228,677

5. EARNINGS PER SHARE

	31 December 2022 Cents	31 December 2021 Cents
Basic loss per share (cents per share)	(3.75)	(3.31)
Diluted loss per share (cents per share)	(3.75)	(3.31)
Weighted average number of ordinary shares used in the calculation of basic earnings per share	75,838,209	62,912,006
Weighted average number of ordinary shares and potential ordinary shares used in the calculation of diluted earnings per share	75,838,209	62,912,006

Note: On 9 December 2022, the Company consolidated its issued share capital on the basis that every 50 fully paid ordinary shares be consolidated into 1 fully paid ordinary share (rounded up to the next whole number of shares). The total number of shares as at 31 December 2021 prior to share consolidation was 3,145,600,283. This has been restated to post-consolidation number of shares of 62,912,006 above.

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 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 Consolidated Statement of Cash Flows, cash and cash equivalents comprise the following:

	Consolidated	
	31 December 2022 $	30 June 2022 $
Cash at bank and in hand	477,035	2,389,504
Short-term deposits	9,119,075	16,957,933
	9,596,110	19,347,437

Cash and cash equivalents comprise cash balances and short-term deposits that are readily convertible to cash, are subject to an insignificant risk of changes in value, and generally have an original maturity of three months or less. The carrying amount of cash and cash equivalents represent fair value. Bank balances and short-term deposits earn interest at floating rates based upon market rates.

8. CONTROLLED ENTITIES

Name	Country of Incorporation	Percentage interest held	
		2022 %	2021 %
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

9. LEASES

	Note	31 December 2022 $	30 June 2022 $
a) Right-of-use assets			
Rental property opening balance		236,306	-
Additions		302,204	298,491
Depreciation		(95,919)	(62,185)
Rental property closing balance		442,591	236,306
b) Lease liabilities			
Current		251,963	100,816
Non-current		168,906	136,808
		420,869	237,624
c) Amortisation expense of right-of-use asset			
Amortisation expense		95,919	62,185
		95,919	62,185
d) Interest expense on lease liabilities			
Interest expense from the unwinding of interest	3(f)	15,504	8,750
		15,504	8,750

10. CONTRIBUTED EQUITY

a) Issued and paid up capital

	31 December 2022 $	30 June 2022 $
Ordinary shares		
Issued and fully paid	89,514,531	90,676,352
Shares yet to be issued	-	-
Less: issue costs	-	(1,124,906)
	89,514,531	89,551,446

b) Movement in ordinary shares on issue to 31 December 2022

	Number of shares	$
At 1 July 2022	75,837,875	89,551,446
Exercise of quoted options	334	832
Unquoted option refund in accordance with Listing Rule 6.22	-	(37,747)
Capital raising cost	-	-
At 31 December 2022	75,838,209	89,514,531

Note: On 9 December 2022, the Company consolidated its issued share capital on the basis that every 50 fully paid ordinary shares be consolidated into 1 fully paid ordinary share (rounded up to the next whole number of shares), and all Rights and Options on issue be adjusted in accordance with Listing Rules 7.21 and 7.22. The total number of shares as at 30 June 2022 prior to share consolidation was 3,791,762,906. This has been restated to post-consolidation number of shares of 75,837,875 above.

11. SHARE OPTIONS

	Expiry Date	Exercise Price	Balance at 1 July 2022	Issued during the period	Exercised during the period	Lapsed during the period	Expired during the period	Balance at 31 Dec 2022
Unquoted options	5 July 2022	$2.00	150,000	-	-	-	(150,000)	-
Unquoted options	30 November 2022	$2.255	200,000	-	-	-	(200,000)	-
Unquoted options	11 August 2023	$0.595	140,000	-	-	-	-	140,000
Unquoted options	17 March 2024	$2.265	80,000	-	-	-	-	80,000
Unquoted options	1 December 2024	$0.57	300,000	-	-	-	-	300,000
Unquoted options	8 December 2024	$1.81	1,052,000	-	-	-	-	1,052,000
Unquoted options	13 December 2024	$1.760	540,000	-	-	-	-	540,000
Unquoted options	27 June 2025	$1.95	135,360	-	-	-	-	135,360
Unquoted options	15 December 2025	$0.915	600,000	-	-	-	-	600,000
Unquoted options	14 October 2025	$2.03	-	286,071	-	-	-	286,071
Unquoted options	1 December 2025	$1.39	-	1,049,654	-	-	-	1,049,654
Unquoted options	1 December 2028	$1.34	-	382,883	-	-	-	382,883
Quoted options	20 May 2023	$2.50	7,266,558	-	(354)	-	-	7,266,204
Total			**10,463,918**	**1,718,608**	**(354)**	**-**	**(350,000)**	**11,832,172**

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 2022 $	**31 December 2021 $**
Expense arising from performance rights and options issued to Directors, employees and consultants	812,273	954,633

Terms of valuation of performance rights is as below.

	Sign-On Rights	Sign-On Rights	STI Performance Rights
Number of rights	125,000	125,000	398,438
Grant date	23/11/2022	23/11/2022	23/11/2022
Share Price at grant date	$0.80	$0.80	$0.80
Expected life of the option (years)	3 years	3 years	3 years
Vesting period (months)	7 months	19 months	10 months
Dividend yield (%)	-	-	-
Expected volatility (%)	100%	100%	100%
Risk-free interest rate (%)	3.063%	3.063%	3.063%
Fair value of options	$0.80	$0.80	$0.80
Vesting date	01/07/2023	01/07/2024	30/09/2023

Terms of valuation of options is as below.

Number of options	286,071	1,049,654	382,883
Grant date	14/10/2022	01/12/2022	23/11/2022
Share Price at grant date	$1.15	$0.80	$0.80
Option exercise price	$2.03	$1.39	$1.34
Expiry date	14/10/2025	01/12/2025	01/12/2028
Expected life of the option (years)	3 years	3 years	3 years
Vesting period (months)	-	-	36 months
Dividend yield (%)	-	-	-
Expected volatility (%)	100%	100%	100%
Risk-free interest rate (%)	3.505%	3.213%	3.223%
Fair value of options	$0.60	$0.42	$0.555
Vesting date	17/11/2022	01/12/2022	30/11/2025

b) Issue of Directors and Employees Options

The Company has an Employee Incentive Plan in place which was approved by shareholders on 23 November 2022. During the 6 months ended 31 December 2022, 1,718,608 (2021: 1,592,000) options were issued to directors and employees.

SHARE BASED PAYMENTS ***Continued***

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**
Outstanding at beginning of the period	3,197,360	$1.20
Issued during the period	1,718,608	$1.49
Options exercised during the period	-	-
Expired / lapsed during the period	(350,000)	$2.14
Outstanding at end of the period	4,565,968	$1.49
Exercisable at the end of the period	4,183,085	$1.527

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 2022 other than:

a) Mineral tenement expenditure commitments – Australia

The Group has an annual expenditure obligation of approximately $300,000 and expenditure obligations after one year but not more than five years of $4,746,500 with respect to the exploration licenses in South Australia.

In order to maintain current rights of tenure to exploration tenements, the Group is required to perform minimum exploration work to meet the minimum expenditure requirements specified by the South Australian State Government. These obligations are subject to renegotiation when application for a mining lease is made and at other times. These obligations are not provided for in the financial report.

If the Group decides to relinquish certain tenements and / or does not meet these obligations, assets recognised in the Consolidated Statement of Financial Position may require review to determine the appropriateness of the carrying values. The sole transfer or farm out of exploration rights to third parties will reduce or extinguish these obligations.

b) Bonds

As at 31 December 2022, the Group has outstanding $112,588 (30 June 2022: $112,588) as bonds provided by the Company's bank for mineral tenements in Australia.

c) Bank guarantee

As at 31 December 2022, the Group has outstanding $119,627 (30 June 2022: $29,770) as bank guarantee provided by the Group's bankers. The Company's remaining available bank guarantee limit of $167,785 is not utilised by the Company.

15. CONTINGENCIES

Contingent asset
As at 31 December 2022, 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 has received $269,726 royalty payment on revenue earned as at 31 December 2022. 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$595,000.

Contingent liabilities
As at 31 December 2022, 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.

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

	Consolidated	
	31 December 2022 $	30 June 2022 $
Current Liability		
Redeemable Convertible Notes – Mintech Resources Pty Ltd	1,975,000	-
Non-current Liability		
Redeemable Convertible Notes – Mintech Resources Pty Ltd	-	1,975,000

The Group’s financial assets and liabilities which are recorded at their carrying value is considered to be a reasonable approximation of their fair value.

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.

16. CONVERTIBLE NOTE LIABILITY *Continued*

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.

17. TRADE AND OTHER PAYABLES

	Consolidated	
	31 December 2022 $	30 June 2022 $
Trade and other payables (1)	425,521	3,528,081
Accruals (2)	122,222	369,061
	547,743	3,897,142

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 2022 $	30 June 2022 $
Provision for annual and long service leave	224,379	322,830
Provision for rehabilitation	30,000	10,000
	254,379	332,830

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.

- Dr Carmen Letton was appointed as Non-Executive Director on 25 January 2023.
- 276,009 unlisted LTI Options exercisable at $0.78, expiring on 1 February 2029 were issued on 2 February 2023.
- 714,837 STI Performance Rights vesting on 30 September 2023 were issued on 2 February 2023.

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 2022 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.

Mark Eames
Chair of the Board

9 March 2023

Ernst & Young
121 King William Street
Adelaide SA 5000 Australia
GPO Box 1271 Adelaide SA 5001

Tel: +61 8 8417 1600
Fax: +61 8 8417 1775
ey.com/au

Independent auditor's review report to the members of Magnetite Mines Limited

Conclusion

We have reviewed the accompanying half-year financial report of Magnetite Mines Limited (the Company) and its subsidiaries (collectively the Group), which comprises the statement of financial position as at 31 December 2022, the statement of profit and loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a description of accounting policies and other explanatory information, and the directors' declaration.

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

a. Giving a true and fair view of the consolidated financial position of the Group as at 31 December 2022 and of its consolidated financial 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* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the half-year financial report* section of our report. We are independent of the Group 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.

Material uncertainty related to going concern

We draw attention to Note 2(d) of the half-year financial report, which describes the principal conditions that raise doubt about the Group's ability to continue as a going concern. These events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect to this matter.

Directors' responsibilities for the half-year financial report

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

Auditor's responsibilities for the review of the half-year 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 Group's financial position as at 31 December 2022 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.

Ernst & Young

Ernst & Young

L A Carr
Partner
Adelaide
9 March 2023