



AVIRA ENERGY LIMITED
(formerly known as MGT Resources Limited)

HALF-YEAR FINANCIAL REPORT

31 DECEMBER 2016

ACN 131 715 645

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Directors' Report

Your directors submit their report for the half-year ended 31 December 2016.

Directors

The directors of Avira Energy Limited and its controlled entities (the "Group") in office during the half year, and until the date of this Report are set out below. Directors were in office for this entire period unless otherwise stated.

<u>Name</u>	<u>Particulars</u>
Jonathan Paul Back	Director, appointed 4 September 2008 and appointed as Chairman 1 February 2010
Gary Kuo	Director, appointed 7 January 2011
Wenshan Zhang	Non-Executive Director, appointed 8 April 2015
Christopher Chen	Non-Executive Director, appointed 8 April 2015
Rui Zhang	Appointed Executive Director 1 February 2016 Non-Executive Director, appointed 6 December 2016
Hai Jun Li	Non-Executive Director, appointed 14 April 2009, resigned 30 November 2016

Principal activities

The principal activities of the consolidated entity during the financial year included exploration and evaluation activities.

Operating and financial review

(a) Review of operations

The consolidated net loss for the half-year after providing for income tax was \$3,936,391 (2015: loss of \$2,985,149).

(b) Significant changes in state of affairs

Additional share issuance

On 19 July 2016, Joseph Capital (Hong Kong) Limited were issued with 30,303,030 ordinary shares at \$0.033 per share, raising \$1,000,000.

Additional convertible notes issued

On 14 September 2016, Avira Energy Limited entered into an agreement with Joseph Capital (Hong Kong) Limited to issue one unsecured convertible note with a face value of \$500,000. Post the 10:1 share consolidation that completed on 13 December 2016, the Note will automatically convert into 1,515,152 fully paid ordinary shares at \$0.33 per share on the date that Avira Energy Limited announces on the Australian Stock Exchange the completion of the 30% acquisition of the Manyingee Mining Leases from Paladin Energy Limited (as detailed in the announcement to the Australian Stock Exchange on 21 July 2016). The Note bears simple interest of 6% per annum payable quarterly in arrears.

The Note is redeemable by Joseph Capital (Hong Kong) Limited if no conversion occurs within 12 months after the date of issue. The note was issued on 19 October 2016.

Directors' Report

Joint venture agreement for uranium mining

On 20 July 2016 Avira Energy Limited entered into a binding term sheet with Paladin Energy Limited (ASX:PDN) over Manyingee Mining Leases (M08/86, M08/87, M08/88) in North Western Australia.

On closing of the transaction, Avira Energy Limited) will acquire a 30% initial interest in Manyingee for US\$10 million cash and will form a Joint Venture over the project with Paladin Energy Limited (Manyingee JV).

Avira Energy Limited will then have an option to acquire an additional 45% of Manyingee JV from Paladin Energy Limited for US\$20 million cash, exercisable for 12 months following Manyingee JV's preparation of a plan to conduct a field leach trial for uranium extraction by in-situ recovery method.

Under the terms of the agreement, Avira Energy Limited will issue Paladin Energy Limited with 2,683,750 Series A options with an exercise price of \$0.60 exercisable for a period of 12 months from completion and 2,683,750 Series B options with an exercise price of \$0.80 exercisable for a period of 24 months from completion.

Paladin Energy Limited will issue to Avira Energy Limited with 35,680,000 Series A PDN Options exercisable for a period of 12 months from completion at \$0.35 per share; and 35,680,000 Series B PDN Options exercisable for a period of 24 months from closing of the transaction at \$0.45 per share.

On 15 November 2016 MGT Energy Pty Limited entered into a sale of tenement agreement with Paladin Energy Limited (Paladin) group of companies over the Manyingee Mining Leases. The transaction is conditional upon shareholder and regulatory approval and is subject to financing. A shareholders meeting to approve the change in scale under Listing Rule 11.1.2 was held on 19 January 2107. Shareholders voted in favour of the resolution.

Establishment of a wholly owned subsidiary

On 2 September 2016, MGT Energy Pty Ltd was registered as a wholly owned subsidiary of Avira Energy Limited (formerly MGT Resources Limited). The joint arrangement with Paladin Energy Limited over Manyingee assets will take place with MGT Energy Pty Ltd. Avira Energy Limited and MGT Energy Pty Ltd are part of a tax consolidated group. On 31 January 2017, MGT Energy Pty Ltd changed its name to Avira Australia Pty Ltd.

Debt restructuring on maturing convertible notes

On 2 August 2016, Cloud Adventurer Limited and Marvel Network Limited extended the maturity date on the Convertible Notes to 16 September 2016.

On 15 September 2016, Armstrong Industries HK Limited agreed to extend the maturity of the convertible note of \$1,500,000 from 11 November 2016 to the earlier of 11 November 2017 and 14 days after the date that the Company is in receipt of the funds from the successful capital raising required for the Company to purchase 30% of the Manyingee Mining Leases from Paladin Energy Limited and working capital in the amount of at least US\$11.5 million. The interest rate on the Armstrong Industries HK Limited convertible remained at 8% in respect of the period up to and including 11 November 2016 and increased to 15% in respect of the period on and from 12 November 2016.

On 16 September 2016 following the general meeting of shareholders on 16 September 2016, \$3,000,000 Convertible Notes owing to Cloud Adventurer Limited were converted to \$3,000,000 Preference Shares (see Note 12 of the Financial Statements).

On 16 September 2016 following the general meeting of shareholders on 16 September 2016, \$3,000,000 Convertible Notes owing to Marvel Network Limited were converted to \$3,000,000 Preference Shares (see Note 12 of the Financial Statements).

Directors' Report

On 16 September 2016, \$18,411 of final interest payments were made to Cloud Adventurer Limited and \$18,411 of final interest payments were made to Marvel Network Limited, representing interest owing on the Convertible Notes from the sixth payment of interest to the 16 September 2016 when the Convertible Notes were converted into preference shares.

On 16 September 2016, Cloud Adventurer Limited were issued with 36,363,637 unquoted options and Marvel Network Limited were issued with 36,363,637 unquoted options, all at nil consideration, exercisable at \$0.001 each, into one ordinary share per option, on or before 16 September 2021, as approved by shareholders at a general meeting on 16 September 2016. (see Note 9 of the Financial Report)

Following the 10:1 Share consolidation that completed on 13 December 2016, the number of Cloud Adventurer Limited options have been adjusted to 3,636,364 options exercisable at \$0.33 and the number of Marvel Network Limited options have been adjusted to 3,636,364 options exercisable at \$0.33.

Cancellation of share options

On 7 November 2016, 6,800,000 employee options expired and were cancelled. On 17 December 2016, all remaining employee share options expired and were cancelled.

10:1 Share Consolidation

On 13 December 2016 a 10:1 share consolidation, which was approved by shareholders at the Annual General Meeting on 30 November 2016 resulted in the following changes:

Shares

Share class	Number on issue before consolidation	Number on issue after the 10:1 consolidation
Ordinary shares	483,066,131	48,306,640
Redeemable preference shares	181,818,182	18,181,820

Options

Non-employee share options	Before consolidation	After the 10:1 consolidation
Number of options issued	72,727,274	7,272,728
Exercise price	\$0.001	\$0.01
Issue date	16 September 2016	16 September 2016
Expiry date	16 September 2021	16 September 2021

Employee share options	Before consolidation	After the 10:1 consolidation
Number of options issued	1,050,000	105,000
Exercise price	\$0.15	\$1.50
Issue date	17 December 2013	17 December 2013
Expiry date	17 December 2016	17 December 2016

*Following the Share Consolidation, these Employee Share Options subsequently expired on 17 December 2016.

Convertible notes

Armstrong Industries HK Limited Convertible Note	Before consolidation	After the 10:1 consolidation
Face Value	\$1,500,000	\$1,500,000
Conversion rate	\$0.0875	\$0.875
Number of ordinary shares to be issued if converted	17,142,857	1,714,285

Directors' Report

Joseph Capital (Hong Kong) Limited Convertible Note	Before consolidation	After the 10:1 consolidation
Face Value	\$500,000	\$500,000
Conversion rate	\$0.033	\$0.33
Number of ordinary shares to be issued if converted	15,151,515	1,515,151

Director resignations and appointments

On 30 November 2016, Hai Jun Li resigned as Non-Executive Director. On 6 December 2016, Mr Rui Zhang was appointed a Non-Executive Director.

There has not been any other matter or circumstance occurring subsequent to the end of the financial year that has significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

(c) Exploration and evaluation activities

During the six months to 31 December 2016, field work has been conducted at the Summer Hill prospect. The main purpose of this mapping and sampling work has been to determine whether a similar model as that for the Dalcouth prospect could be applied to the Summer Hill prospect. This work is in a preliminary stage.

No other significant exploration work was undertaken during this period as the focus has been on cash preservation during the period of capital restructuring and on working through the regulatory and other approvals required for the Manyinee transaction.

(d) Subsequent events

On 19 January 2017, following a meeting of shareholders and confirmation from ASIC, MGT Resources Limited changed its name to Avira Energy Limited (ASX:AVW).

On 19 January 2017, following a general meeting, shareholders approved the change in scale in activities by entering into a sale of tenement agreement with Paladin Energy Limited group of companies over the Manyinee Mining Leases (M08/86, M08/87, M08/88).

On 31 January 2017, MGT Energy Pty Ltd (100% subsidiary of Avira Energy Ltd) changed its name to Avira Australia Pty Ltd.

There has not been any other matter or circumstance apart from the above, occurring subsequent to the end of the financial period that has significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the Group in future financial years.

Directors' Report

Auditor's independence declaration

The auditor's independence declaration is included on page 8 of the financial report.

This directors' report has been made and signed in accordance with a resolution of the directors made pursuant to s.306(3) of the Corporations Act 2001.

On behalf of the Director

A handwritten signature in black ink, appearing to be 'GK' with a flourish.

Gary Kuo
Director

Dated: 13th March 2017

Auditors' Independence Declaration

In relation to our review of the financial report of Avira Energy Limited and its controlled entities for the half-year ended 31 December 2016, to the best of my knowledge and belief, there have been:

- (i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Avira Energy Limited and its controlled entities during the half-year ended 31 December 2016.

MAZARS RISK & ASSURANCE PTY LIMITED

A handwritten signature in black ink that reads 'R. Megale'.

R. Megale
Director

Dated in Sydney, this 13th day of March 2017

Directors' Declaration

The directors of Avira Energy Limited and its controlled entities declare that:

- (a) The financial statements and notes of Avira Energy Limited and its controlled entities for the half-year ended 31 December 2016 are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
 - (ii) complying with Accounting Standards AASB 134 Interim Financial Reporting.
- (b) There are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors made pursuant to s.303(5) of the *Corporations Act 2001*.

On behalf of the Directors



Gary Kuo
Director
Sydney
Dated: 13th March 2017

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For The Half-Year Ended 31 December 2016

	Notes	Consolidated Half-year ended	
		31/12/2016	31/12/2015
		\$	\$
Revenues			
Other revenue		2,193	6,671
Expenses			
Other gains and losses		(78,000)	20,575
Employee benefits expense		(232,265)	(190,336)
Depreciation and amortisation expense		(93,206)	(122,788)
Interest expense		(260,107)	(480,102)
Impairment loss	4	(719,373)	(1,860,619)
Loss on extinguishment of convertible note liabilities	8 (i)	(2,138,182)	-
Administration expense		(135,386)	(130,681)
Other expense		(282,065)	(227,869)
Loss before tax		(3,936,391)	(2,985,149)
Income tax (expense) benefit		-	-
Loss after tax		(3,936,391)	(2,985,149)
Loss for the year is attributable to:			
Owners of the parent		(3,794,784)	(2,742,391)
Non-controlling interest		(141,607)	(242,758)
		(3,936,391)	(2,985,149)
Loss for the period		(3,936,391)	(2,985,149)
Other comprehensive loss			
<i>Items that may be reclassified to profit and loss</i>			
Changes in the fair value of available-for-sale financial assets		(269,963)	(105)
Total comprehensive loss for the period		(4,206,354)	(2,985,254)
Total comprehensive loss attributable to:			
Owners of the parent		(4,064,876)	(2,742,485)
Non-controlling interest		(141,478)	(242,769)
		(4,206,354)	(2,985,254)
Earnings per share (cents per share)			
Basic EPS for the half-year	9	(7.86)	(8.50)
Diluted EPS for the half-year	9	(6.53)	(6.21)

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

Condensed Consolidated Statement of Financial Position

As at 31 December 2016

	Notes	Consolidated	
		31/12/2016 \$	30/6/2016 \$
ASSETS			
Current assets			
Cash and cash equivalents	6	421,523	149,060
Other receivables		-	56,339
Other financial assets		120,189	78,000
Total current assets		541,712	283,399
Non-current assets			
Exploration and evaluation expenditure	4	1,671,432	1,831,345
Other financial asset		850,292	1,120,254
Plant and equipment		1,000,780	1,539,550
Total non-current assets		3,522,504	4,491,149
TOTAL ASSETS		4,064,216	4,774,548
LIABILITIES			
Current liabilities			
Trade and other payables		382,313	549,544
Unsecured borrowings	11	1,926,271	7,487,596
Secured borrowings	12	1,500,000	1,500,000
Provisions		99,359	100,114
Total current liabilities		3,907,943	9,637,254
Non-current liabilities			
Provisions		117,865	114,509
Total non-current liabilities		117,865	114,509
TOTAL LIABILITIES		4,025,808	9,751,763
NET ASSETS/(LIABILITIES)		38,408	(4,977,215)
EQUITY			
Issued capital	7	26,089,813	19,095,000
Reserves		1,435,727	(119,242)
Retained earnings		(26,734,827)	(23,341,252)
Non-controlling interest		(752,305)	(611,721)
TOTAL EQUITY		38,408	(4,977,215)

The above condensed consolidated statement of financial position should be read in conjunction with the accompanying notes

Condensed Consolidated Statement of Changes in Equity

For The Half-Year Ended 31 December 2016

CONSOLIDATED	Attributable to equity holders of the parent				Total equity \$
	Fully paid ordinary shares	Retained Earnings	Reserves	Non- controlling interests	
	\$	\$	\$	\$	
At 1 July 2016	19,095,000	(23,341,252)	(119,242)	(611,721)	(4,977,215)
(Loss) for the period	-	(3,794,784)	-	(141,607)	(3,936,391)
Other comprehensive income – revaluation gain	-	-	1,095	129	1,224
Other comprehensive income – revaluation loss	-	-	(271,187)	-	(271,187)
Share options issued	-	-	2,138,182	-	2,138,182
Share options expired – Avira Energy Limited	-	203,760	(203,760)	-	-
Share options expired – MGT Mining Limited	-	7,603	(8,497)	894	-
Equity derivative converted	-	189,847	(189,847)	-	-
Equity derivative issued	-	-	88,983	-	88,983
Issue of ordinary shares	1,000,000	-	-	-	1,000,000
Capital raising costs	(5,187)	-	-	-	(5,187)
Issue of preference shares	6,000,000	-	-	-	6,000,000
Transactions with Owners in their capacity as owners:					
Transactions with non-controlling interests	-	(1)	-	-	(1)
At 31 December 2016	26,089,813	(26,734,827)	1,435,727	(752,305)	38,408
At 1 July 2015	14,408,953	(18,731,328)	608,428	(283,769)	(3,997,716)
(Loss) for the period	-	(2,742,391)	-	(242,758)	(2,985,149)
Other comprehensive income	-	-	(93)	(12)	(105)
Share options converted	1,200,000	43,200	(43,200)	-	1,200,000
Share options vesting	-	-	12,377	-	12,377
Transactions with Owners in their capacity as owners:					
Transactions with non-controlling interests	-	585	-	(585)	-
At 31 December 2015	15,608,953	(21,429,934)	577,512	(527,123)	(5,770,592)

The above condensed consolidated statement of changes in equity should be read in conjunction with the accompanying notes

Condensed Consolidated Statement of Cash Flow

For The Half-Year Ended 31 December 2016

	Consolidated	
	31/12/2016	31/12/2015
	\$	\$
Cash flows from operating activities		
Payments to suppliers and employees	(771,850)	(625,143)
Interest received	2,193	8,801
Net cash flows from (used in) operating activities	(769,657)	(616,342)
Cash flows from investing activities		
Proceeds from sale of property, plant & equipment	-	38,678
Payments for exploration costs	(113,897)	(547,386)
Net cash flow from (used in) investing activities	(113,897)	(508,708)
Cash flows from financing activities		
Proceeds from issuance of shares upon exercising of options	994,812	1,200,000
Proceeds from issuance of convertible note	500,000	-
Interest paid	(338,795)	(302,365)
Net cash flow from (used in) financing activities	1,156,017	897,635
Net (decrease)/increase in cash and cash equivalents	272,463	(227,415)
Cash and cash equivalents at beginning of period	149,060	1,491,062
Cash and cash equivalents at end of period	421,523	1,263,647

The above condensed consolidated statement of cash flow should be read in conjunction with the accompanying notes

Notes to the Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

(a) Basis of preparation

This general purpose condensed financial report for the half-year ended 31 December 2016 has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. Compliance with AASB 134 *Interim Financial Reporting* ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

It is recommended that the half-year financial report be read in conjunction with the annual report for the year ended 30 June 2016 and considered together with any public announcements made by Avira Energy Limited during the half-year ended 31 December 2016 in accordance with the continuous disclosure obligations of the ASX listing rules.

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.

Comparative figures

During the period, the Company executed a 10:1 consolidation of all its issued and outstanding shares as at 5 December 2016. Accordingly, the issued and outstanding shares as at 31 December 2015 were also consolidated for consistent presentation of comparative figures. This restatement only affects the amount of reported earnings per share as of 31 December 2015 as follows:

	<u>As previously reported</u>	<u>As restated</u>
Basic earnings per share	(0.85)	(8.50)
Diluted earnings per share	(0.62)	(6.21)
<i>Basic earnings per share</i>		
Net loss	(\$2,742,391)	(\$2,742,391)
Weighted average number of ordinary shares for purpose of basic earnings per share	322,722,255	32,272,226
<i>Diluted earnings per share</i>		
Earnings used in the calculation of diluted EPS from continuing operations	(\$2,313,404)	(\$2,313,404)
Weighted average number of ordinary shares for purpose of basic earnings per share	322,722,255	32,272,226

(b) Changes in accounting policies

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

There are no new and revised standards and amendments or Interpretations effective for the current reporting period that are relevant to the Group. The Group has not elected to early adopt any of the new standards or amendments that are issued but not yet effective.

Notes to the Financial Statements

For The Half-Year Ended 31 December 2016

2. GOING CONCERN

The half-year financial statements are prepared on a going concern basis, which contemplates the continuation of normal business activity and the realisation of assets and liabilities in the normal course of business.

As at 31 December 2016 the consolidated entity incurred a net loss after tax of \$3,936,391, current liabilities exceed current assets by \$3,366,231 and cash outflows from operating and investing activities were \$883,554. The ability of the Group to continue as a going concern and to pay their debts as and when they fall due is dependent on the following:

- The ability to raise funds or restructure the repayment of the \$1,500,000 secured loan plus interest owing from MGT Mining Limited to Taimetco International Co., Limited which expires on 31 March 2017. The Directors are in discussion with an independent interested party about an equity placement in MGT Mining Limited, with the funds raised being used to repay the Taimetco International Co., Limited secured loan plus interest as well as funding short term working capital needs. An announcement will be made to the ASX to update the market in due course, when formal documentation has been signed.
- The ability of the group to raise further funding for working capital purposes until the launch of the rights issue to raise funds for the purchase of the Manyingee Mining Leases and for the repayment of the Armstrong Industries HK Limited \$1,500,000 Convertible Note which becomes due and payable upon the successful completion of the Manyingee transaction. Financing for the Manyingee deal is required to be in place by 31 March 2017 or an extension sought from Paladin Energy Limited to allow further time to secure the required funding. Should Paladin Energy Limited not grant an extension, then Avira Energy Limited will not have met its financing obligations with regards to the Manyingee acquisition and the proposed joint arrangement with Paladin Energy Limited detailed in the directors report under 'significant change in state of affairs' will not go ahead.

Whilst meeting the above financing obligations will be a challenge within the time remaining until the obligations fall due, the Directors are still anticipating a positive outcome. Having regard to the above, the Directors have a reasonable expectation that the entity will have adequate resources to continue operating for the foreseeable future. For this reason they continue to adopt the going concern basis in preparation of the accounts.

3. DIVIDENDS PAID OR PROPOSED

No dividends have been provided for or paid at the reporting date (30 June 2016: Nil).

Notes to the Financial Statements

For The Half-Year Ended 31 December 2016

4. EXPLORATION AND EVALUATION ASSETS

	31/12/2016	30/6/2016
	\$	\$
Balances at the beginning of the period	1,831,345	3,628,820
Tenement impairments	(273,809)	(2,392,463)
Expenditure incurred during the period	113,896	594,988
Balances at the end of the period	<u>1,671,432</u>	<u>1,831,345</u>

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. The ultimate recoverability of exploration and evaluation expenditure is dependent upon the successful development and exploitation of the area of interest, or alternatively, by its sale.

During the period, a third party expressed interest in the purchase of a substantial holding in MGT Mining Limited. The consideration proposed was less than the assets' carrying value as at 31 December 2016. Given that the tin price has increased during the period to 31 December 2016 and has continued to increase subsequent to the balance sheet date, the Board considers there to be limited evidence of an impairment of tin assets since the impairment assessment and independent valuation carried out at 30 June 2016. Therefore, the impairment of assets to bring the carrying value of remaining assets in line with the offer received, has resulted in a pro-rata impairment of the gold assets and property, plant and equipment.

The review led to the recognition of an impairment loss of \$273,809 in the statement of profit or loss in the half year to 31 December 2016 for exploration assets and an impairment of \$445,564 for the mill assets.

5. SEGMENT INFORMATION

Avira Energy Limited (the "Group") operates predominantly in one business segment and one geographical segment being the mining industry in Australia. The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (the chief operating decision makers) in assessing performance and in determining the allocation of resources.

No revenue from this activity was earned in the six months to 31 December 2016 or the prior period.

6. CASH AND CASH EQUIVALENTS

For the purposes of the Condensed Cash Flow Statement, cash and cash equivalents comprise the following at 31 December 2015:

	31/12/2016	30/6/2016
	\$	\$
Cash and cash equivalents	421,523	149,060
	<u>421,523</u>	<u>149,060</u>

Notes to the Financial Statements

For The Half-Year Ended 31 December 2016

7. ISSUED SHARE CAPITAL

	31/12/2016	30/6/2016
	\$	\$
48,306,640 fully paid ordinary shares (30 June 2016:45,276,310)	20,089,813	19,095,000
18,181,820 fully paid convertible preference shares (30 June 2016: Nil)	6,000,000	-
Share capital as at the end of period	26,089,813	19,095,000

7.1 Fully paid ordinary shares

	No of shares	Share capital
		\$
As at beginning of period	452,763,101	19,095,000
July 2016 issue of shares	30,303,030	1,000,000
10:1 Share Consolidation	(434,759,491)	-
Capital raising costs	-	(5,187)
As at the end of period	48,306,640	20,089,813

Following the Annual General Meeting on 30 November 2016 shareholders approved a 10 for 1 Share Consolidation whereby every 10 fully paid shares were consolidated into 1 fully paid share. Where the share consolidation resulted in an entitlement to a fraction, that fraction was rounded up to the nearest whole number of shares.

7.2 Convertible preference shares

	No of shares	Share capital
		\$
Balance as at beginning of period	-	-
Conversion of convertible notes into preference shares	181,818,181	6,000,000
10:1 Share Consolidation	(163,636,361)	-
Share capital as at the end of period	18,181,820	6,000,000

Following the general meeting of shareholders on 16 September 2016, \$3,000,000 convertible notes owing to Marvel Network Limited were converted to \$3,000,000 preference shares.

Holders of preference shares rank equally with the holders of ordinary share in respect of dividends. On a return of capital on liquidation, preference shareholders have the right to be paid in priority to any return of assets in respect of any other class of shares.

Preference shareholders have the right to convert all or some of the preference shares into ordinary shares at any time up to the final conversion date being 16 September 2021, on a one for one basis.

Following the Annual General Meeting on 30 November 2016 shareholders approved a 10 for 1 Share Consolidation whereby ever 10 fully paid shares were consolidated into 1 fully paid share. Where the share consolidation resulted in an entitlement to a fraction, that fraction was rounded up to the nearest whole number of shares.

Following the 10:1 Share Consolidation, the number of redeemable preference shares on issue was reorganised to 18,181,820. Avira Energy Limited may, at its sole discretion, elect to redeem the preference shares by payment of a redemption amount equal to \$0.33 per preference share, at any time prior to the final conversion date on 16 September 2021.

Notes to the Financial Statements

For The Half-Year Ended 31 December 2016

Avira Energy Limited has the right to convert all of the preference shares into ordinary shares at any time after the fifth anniversary of the issue of the preference shares, being any time after 16 September 2021. If the preference shares are converted to ordinary shares after 16 September 2021, they will dilute ordinary shareholders.

8. OPTION RESERVE

(a) Movements in share options during the year

The following reconciles the share options outstanding at the beginning and end of the year:

	31/12/2016		30/6/2016	
	No. of options	Weighted average exercise price \$	No. of options	Weighted average exercise price \$
Balance at beginning of period	7,850,000	0.1500	7,850,000	0.1500
Granted during the year (i)	72,727,274	0.001	-	-
Exercised during the year	-	-	-	-
Expired or cancelled during the year	(7,850,000)	0.1500	-	-
Adjusted as part of 10:1 Share Consolidation (ii)	(65,454,546)	0.01	-	-
Balance at end of the period	<u>7,727,728</u>	0.01	<u>7,850,000</u>	0.1500
Exercisable at end of year	1,454,545		7,850,000	

(i) On 16 September 2016, Cloud Adventurer Limited were issued with 36,363,637 unquoted options and Marvel Network Limited were issued with 36,363,637 unquoted options, all at nil consideration, exercisable at \$0.001 each, into one ordinary share per option, on or before 16 September 2021, as approved by shareholders at a general meeting on 16 September 2016.

One fifth of options will vest cumulatively each year in the following manner:

- 1/5 of the options vested on 16 September 2016 and are exercisable from that date up until and including 16 September 2021.
- A further 1/5 of the options vest on 16 September 2017 and are exercisable from that date up until and including 16 September 2021.
- A further 1/5 of the options vest on 16 September 2018 and are exercisable from that date up until and including 16 September 2021.
- A further 1/5 of the options vest on 16 September 2019 and are exercisable from that date up until and including 16 September 2021.
- A further 1/5 of the options vest on 16 September 2020 and are exercisable from that date up until and including 16 September 2021.

Notes to the Financial Statements

For The Half-Year Ended 31 December 2016

Grant date	Expiry date	Exercise price	Fair value at grant date	Vesting date
16 Sep 2016	16 Sep 2021	\$0.001	\$0.0294	-1/5 vest on 16 Sept 2016 -1/5 vest on 16 Sept 2017 -1/5 vest on 16 Sept 2018 -1/5 vest on 16 Sept 2019 -1/5 vest on 16 Sept 2020

The options were valued at \$2,138,182 using the Black-Scholes pricing model. The key assumptions applied are set out below:

Volatility	116%
Risk free rate	2.01%
Exercise price	\$0.001

(ii) Following the Annual General Meeting on 30 November 2016, shareholders approved a 10:1 Share Consolidation. In line with this, the unquoted options issued to Cloud Adventurer Limited and Marvel Network Limited were reorganised in line with Listing Rule 7.22.

Non-Employee Share Options	Before consolidation	After the 10:1 consolidation
Number of options issued	72,727,274	7,272,728
Exercise price	\$0.001	\$0.01

9. EARNINGS PER SHARE

	Half-year ended 31/12/2016 Cents per share	Half-year ended 31/12/2015 Cents per share
Basis earning per share	(7.86)	(8.50)
Diluted earnings per share	(6.53)	(6.21)
Basis earning per share	\$	\$
The earning and weighted average number of ordinary share used in the calculation of basis earning per share are as follows:		
Net loss	(3,794,784)	(2,742,391)
Earning used in the calculation of basic EPS from continuing operations		
	No.	No.
Weighted average number of ordinary shares for the purpose of basic earnings per share	48,306,617	32,272,226*

Notes to the Financial Statements

For The Half-Year Ended 31 December 2016

	Half-year ended 31/12/2016 Cents per share	Half-year ended 31/12/2015 Cents per share
Diluted earnings per share	\$	\$
The earning and weighted average number of ordinary share used in the calculation of diluted earning per share are as follows:		
Net loss	(3,794,784)	(2,742,391)
Interest expense for the current year relating to the liability component of the convertible bonds	209,501	428,987
Earning used in the calculation of diluted EPS from continuing operations	<u>(3,585,283)</u>	<u>(2,313,404)</u>
	No.	No.
Weighted average number of ordinary shares for the purpose of diluted earnings per share	54,867,878	32,272,226*

*The prior year weighted average number of ordinary shares has been adjusted for the 10:1 share consolidation which completed on 5 December 2016 in order to be consistent with current year presentation (Refer to Note 1).

10. RELATED PARTY TRANSACTIONS

The following table provides the total amount of transactions which have been entered into with related parties during the six month period ending 31 December 2016 and 31 December 2015 as well as balances with related parties as of 31 December 2016 and 30 June 2016:

(a) Subsidiaries

Name of subsidiary	Country of incorporation	Ownership interest 31/12/2016 %	Ownership interest 30/6/2016 %
MGT Mining Limited	Australia	89.48%	89.48%
Garimperos Pty Limited (i)	Australia	100.00%	100.00%
MGT Energy Pty Ltd (ii)	Australia	100.00%	-

- i) Garimperos Pty Limited is 100% owned by MGT Mining Limited.
- ii) MGT Energy Pty Ltd was registered as a wholly owned subsidiary of Avira Energy Limited on 2 September 2016. The joint venture with Paladin Energy Limited over Manyingee assets will take place with MGT Energy Pty Ltd. On 31 January 2017, MGT Energy Pty Ltd changed its name to Avira Australia Pty Ltd.

Notes to the Financial Statements

For The Half-Year Ended 31 December 2016

(b) Transactions with related parties

- (i) During the period to 31 December 2016, Jonathan Back, provided services to Avira Energy Limited in his capacity as Executive Chairman through his company, Ocean Central Limited for a total value of \$48,000.
- (ii) Gary Kuo, provided employment services to Avira Energy Limited in his capacity as Managing Director. During the period to 31 December 2016, Gary Kuo received a salary of \$40,480 and superannuation benefits of \$3,344.
- (iii) Li Hai Jun, provided services to Avira Energy Limited in his capacity as Non-Executive Director through his nominated entity, Parkridge Capital Inc for a total value of \$10,664 during the period to 31 December 2016. Li Hai Jun resigned as a Non-Executive Director on 30 November 2016.
- (iv) Christopher Chen provided employment services to Avira Energy Limited in his capacity as Chief Operating Officer. During the period to 31 December 2016, Christopher Chen received a salary of \$40,480 and superannuation benefits of \$3,344.
- (v) Wenshan Zhang provided service to Avira Energy Limited in his capacity as Non-Executive Director of \$11,667 through his nominated company Beijing Cui Yu Tong Bao Zhu Bao Dian during the period to 31 December 2016.
- (vi) Mr Rui Zhang was appointed as a Non-Executive Director on 6 December 2016. He did not received any fees for his services during the period to 31 December 2016.
- (vii) Avira Energy Limited provided key management personnel services to MGT Mining Limited, the 89.48% subsidiary of Avira Energy Limited for a total value of \$120,000 during the period to 31 December 2016.
- (viii) Refer to Note 12 regarding transactions during the period to 31 December 2016, with Armstrong Industries HK Limited, Cloud Adventurer Limited, Marvel Network Limited and Joseph Capital (Hong Kong) Limited.

Notes to the Financial Statements

For The Half-Year Ended 31 December 2016

11. UNSECURED BORROWINGS

		31/12/2016	30/6/2016
		\$	\$
<u>Current</u>			
Convertible note	(i)	1,467,088	1,494,986
Convertible note	(ii)	-	2,996,305
Convertible note	(iii)	-	2,996,305
Convertible note	(iv)	459,183	-
		<u>1,926,271</u>	<u>7,487,596</u>

- (i) The parent entity Avira Energy Limited issued convertible notes to Armstrong Industries HK Limited on 11 November 2011 with a principal sum of \$1,500,000 and a term of 2 years. Interest on the convertible notes was payable at the rate of 8% per annum. The convertible note was extended on 11 November 2013 and rolled into a new convertible note for a further term of 3 years to 11 November 2016. The convertible note was further extended on 15 September 2016 and rolled into a new convertible note for a further period until the earlier of 11 November 2017 and 14 days after the date that Avira Energy Limited is in receipt of the funds from the successful capital raising required to purchase 30% of the Manyingee Mining Leases from Paladin Energy Limited and working capital in the amount of at least US\$11.5 million. The interest rate remained at 8% in respect of the period up to and including 11 November 2016 and increased to 15% in respect of the period from 12 November 2016. The convertible note may be redeemed or, if the share price is 87.5 cents per share or more at maturity, must be converted into 1,714,286 ordinary shares of the parent company.
- (ii) The parent entity, Avira Energy Limited issued convertible notes to Cloud Adventurer Limited on 19 August 2013 with a principal sum of \$3,000,000 and a term of 3 years. Interest on the convertible note was payable at the rate of 8% per annum. Following the general meeting of shareholders on 16 September 2016, \$3,000,000 Convertible Notes owing to Cloud Adventurer Limited were converted to \$3,000,000 Preference Shares and 36,363,637 unquoted share options (See note 7 and 8).
- (iii) The parent entity, Avira Energy Limited issued convertible notes to Marvel Network Limited on 19 August 2013 with a principal sum of \$3,000,000 and a term of 3 years. Interest on the convertible note was payable at the rate of 8% per annum. Following the general meeting of shareholders on 16 September 2016, \$3,000,000 Convertible Notes owing to Marvel Network Limited were converted to \$3,000,000 Preference Shares and 36,363,637 unquoted share options (See note 7 and 8).
- (iv) The parent entity, Avira Energy Limited issued a convertible note to Joseph Capital (Hong Kong) Limited on 19 October 2016 with a principal sum of \$500,000. The Convertible note matures 12 months after issue, being 19 October 2017 unless the note automatically converts into 1,515,152 ordinary shares (post the 10:1 Share Consolidation) upon Avira Energy Limited announcing on the ASX the completion of the 30% acquisition of the Manyingee Mining Leases from Paladin Energy Limited. Interest on the convertible notes is payable at 6% per annum, quarterly in arrears.

The convertible notes have been accounted for in accordance with AASB 139: Financial Instruments: Recognition and Measurement.

Notes to the Financial Statements

For The Half-Year Ended 31 December 2016

The net proceeds received from the issue of the convertible notes have been split between the financial liability element and an equity component, representing the residual amount attributable to the option to convert the financial liability into equity of Avira Energy Limited. The following table is a summary of the information for all the convertible notes issued by Avira Energy Limited.

	Convertible note \$	Convertible note (i) \$	Convertible note (ii) \$	Convertible note (iii) \$	Convertible note (iv) \$	Total \$
	Armstrong	Armstrong	Joseph	Cloud	Marvel	
Proceeds of issue	1,500,000	1,500,000	500,000	3,000,000	3,000,000	9,500,000
Equity component value of conversion rights	(37,969)	(38,136)	(50,847)	(75,939)	(75,939)	(278,830)
Liability component at the date of issue	1,462,031	1,461,864	449,153	2,924,061	2,924,061	9,221,170
Interest expense	397,969	5,224	10,030	795,939	795,939	2,005,101
Interest paid	(360,000)	-	-	(720,000)	(720,000)	(1,800,000)
Converted into preference shares	-	-	-	(3,000,000)	(3,000,000)	(6,000,000)
Rolled into new Convertible Note (i)	(1,500,000)	-	-	-	-	(1,500,000)
Total	-	1,467,088	459,183	-	-	1,926,271
Current liability						1,926,271
Non-current liability						-
						<u>1,926,271</u>

12. SECURED BORROWINGS

	31/12/2016 \$	30/6/2016 \$
<u>Non-current</u>		
Secured loan	1,500,000	1,500,000
	<u>1,500,000</u>	<u>1,500,000</u>

On 6 February 2015 MGT Mining Limited signed a secured loan agreement with Taimetco International Co., Limited for \$1,500,000 with a term of 2 years at an interest rate of 6.5% per annum. Interest accrues and is payable on the earlier of the day on which the principal outstanding is paid in full and the termination date.

MGT Mining Limited has granted Taimetco International Co., Limited security over all of MGT Mining Limited's present and after-acquired assets, rights, interests and undertakings.

Notes to the Financial Statements

For The Half-Year Ended 31 December 2016

As part of the security arrangement, MGT Mining Limited has registered mortgages with the Queensland Government over the following tenements:

- ML 20547 Summer Hill
- ML 4349 Mt Veteran
- EPM 16948 Nymbool
- EPM 25433 Nanyetta

13. FAIR VALUE OF FINANCIAL INSTRUMENTS

The directors have determined the fair value of its available-for-sale equity securities held using quoted prices on an active market. The fair value of available-for-sale equity securities is therefore classified as Level 1 under the accounting standards.

The initial fair value of the liability portion of the convertible notes issued to Armstrong Industries HK Limited, in previous periods was determined using an estimated market interest rate of 9% initially, then 14% upon rolling over the convertible note in 2013, then 18% upon rolling over the convertible note in 2016. These rates were determined to be an estimate of the benchmark rates for a similar organisation at that time.

The liability is subsequently recognised on an amortised cost basis until extinguished on conversion or maturity of the convertible notes. The difference between the principal and the present value component was taken to equity as an equity derivative and not subsequently remeasured.

The fair values of current convertible notes are based on discounted cash flows using the 18.00% rate described above. Convertible notes are classified as level 3 (If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3) fair values in the fair value hierarchy due to the use of unobservable inputs, including own credit risk. Refer to note 12 for more disclosure.

The directors consider that the carrying amounts of current trade and other receivables and payables recognised in the consolidated financial statements approximate their fair values.

14. SUBSEQUENT EVENTS

On 19 January 2017, following a meeting of shareholders and confirmation from ASIC, MGT Resources Limited changed its name to Avira Energy Limited (ASX:AVW).

On 19 January 2017, following a general meeting, shareholders approved the change in scale in activities by entering into a sale of tenement agreement with Paladin Energy Limited group of companies over the Manyingee Mining Leases (M08/86, M08/87, M08/88).

On 31 January 2017, MGT Energy Pty Ltd (100% subsidiary of Avira Energy Ltd) changed its name to Avira Australia Pty Ltd.

There has not been any other matter or circumstance apart from the above, occurring subsequent to the end of the financial period that has significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the Group in future financial years.

Independent Auditor's Review Report to the members of Avira Energy Limited (formerly MGT Resources Limited) and its controlled entities

Report on the Condensed Half-year Financial Report

We have reviewed the accompanying half-year financial report of Avira Energy Limited (formerly MGT Resources Limited) ("the Group") and its controlled entities, which comprises the statement of financial position as at 31 December 2016 and 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 of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year ended 31 December 2016.

Directors' responsibility for the half-year financial report

The directors of the group are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards 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 it 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 a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 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 Avira Energy Limited and its controlled entities during the half-year ended 31 December 2016, 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 independence requirements of the *Corporations Act 2001*.

Basis for Disclaimer of Opinion

The Group has a number of immediate financial commitments at half year end, including a secured loan to Taimetco International Co Limited (“Taimetco”) amounting to \$1,500,000 with maturity on 31 March 2017, and the need to raise funds in accordance with its financing arrangements attached to the Manyinee acquisition to secure the proposed joint arrangement with Paladin Energy Limited, also required by 31 March 2017.

Whilst there are ongoing negotiations to arrange the repayment of this loan and to secure funding to fulfil financing arrangements, at the date of signing there were no formal or approved arrangements executed for the settlement of these amounts.

Furthermore, no formal and approved arrangements are in place for the settlement of remaining convertible notes due within the next twelve months, and no formal and approved arrangements are in place for the securing of funding of ongoing operations of the group, including the meeting of minimum tenement expenditure commitments.

The Group had a net current liability of \$3,366,231 (June 2016: \$9,353,855) as at 31 December 2016 and incurred a net loss of \$3,936,391 (December 2015: \$2,985,149) for the financial half year then ended.

As at the time of signing, we have been unable to obtain alternative evidence which would provide sufficient appropriate audit evidence as to whether the group may be able to obtain such financing, and remove significant doubt on its ability to continue as a going concern within 12 months from the date of this report.

The Directors have set out their reasons for believing the group is a going concern in Note 2 to the financial report.

Disclaimer of Opinion

Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the financial report.

MAZARS RISK & ASSURANCE PTY LIMITED

R. Megale
Director

Dated in Sydney, this 13th day of March 2017