



AVIRA RESOURCES
LIMITED

(formerly known as Avira Energy Limited)

HALF-YEAR FINANCIAL REPORT

31 DECEMBER 2017

ACN 131 715 645

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Directors' Report

Your directors submit their report for the half-year ended 31 December 2017.

Directors

The directors of Avira Resources 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
David Ross De Loub	Non-Executive Director, appointed 30 November 2017
Christopher Chen	Non-Executive Director, resigned 30 November 2017
Wenshan Zhang	Non-Executive Director, resigned 30 November 2017
Rui Zhang	Non-Executive Director, resigned 30 November 2017

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 \$1,737,739 (2016: loss of \$3,936,391).

(b) Significant changes in state of affairs

FINANCIAL UPDATE

Niflheim Resources Pte Ltd – transfer of tin assets and property, plant and equipment (PPE) to extinguish \$1.8m Convertible Note.

FIRB approval was received for the transfer of tin assets and PPE from MGT Mining Limited to MGT Minerals Pty Ltd. On 31 of October 2017, MGTM's tenement manager confirmed the submissions to the Department of Natural Resources & Mines (DNRM) for the transfer of assets were formally approved following the period ending 31 December 2017.

Niflheim secured loan of \$200,000 to AVW and Directors Loans of \$60,000 extended to 31st Jan 2018.

Both the \$200,000 secured loan with Niflheim Resources Pte Ltd and the outstanding Directors loans were extended to 31 of January 2018. These loans were repaid in full subsequent to the end of the quarter following completion of the capital raisings in early January 2018.

Decision not to proceed with the Tartana Resources Joint Venture.

The Company decided not to proceed with the proposed Joint Venture with Tartana Resources Limited to develop Tartana's Copper/Zinc deposits and prospects located in North Queensland due to market conditions which did not allow for the raising of the \$1.0m in cash required for the purpose of funding the initial investment which was required by 31 of October 2017.

Directors' Report

CHANGES TO SECURITIES

A non-renounceable rights issue offer was made to existing shareholders in December 2017 on a 1 for 1 basis of 87,088,295 fully paid ordinary shares (Shares) at \$0.003 per Share to raise \$261,265.

The Company received acceptances for a total of 25,714,060 Shares and applications for a further 61,374,235 Shares under the shortfall offer raising the full subscription of \$261,265. These Shares were issued on 3 January 2018 and trading commenced on 4 January 2018.

A placement to raise \$512,470 via the issue of 170,823,410 Shares at \$0.003 per Share was approved by shareholders at the general meeting held on 22 December 2017. These Shares were also issued on 3 January 2018, with trading commencing on 4 January 2018. Also, 50,000,000 options were issued to Cicero Advisory Services Pty Ltd on 3 January 2018.

The funds raised from the Offer and the Placement have been applied towards debt repayment with the balance being applied to operational activities and working capital.

(c) Exploration and evaluation activities

Gold ended 2017 with a strong rally, pushing through USD 1300/oz, and has posted healthy gains in early of 2018. While 2017 was a year of consolidation with reform and modest growth for the gold sector, gold's recent gains highlight that the economic environment remains highly supportive, particularly due to low real interest rates, a weakening US dollar and rising sovereign debt, as well as heightened financial risk in overvalued equity markets and a volatile geopolitical landscape. Many gold producers and explorers have improved capital discipline, implemented management reforms and have increased focus on returns to shareholders during the last year. The result has been that investment in the gold sector has become more investible than for some time. As a consequence of this, the Company has been focusing its efforts on reviewing and developing an exploration strategy in relation to its Pyramid Gold Project located in northern Queensland.

The Company has invested significant time and resources into reviewing and planning for an exploration program to commence in the first and complete in the second quarter of 2018. Additional detail on the parameters of the planned exploration program are provided in the 2018 Exploration Program section below.

Pyramid Gold Project, Queensland

Overview

The Pyramid Gold Project is located approximately 120 km southeast of Charters Towers, northern Queensland, in the Burdekin Dam – Sellheim River region, and comprises EPM 12887, EPM 25154 and EPM 19554 which close to the north eastern margin of the Drummond Basin, near its contact with the Bulgonunna Block. Basement sequences of the Anakie Inlier are located to the west and within the eastern portion of the project area. The majority of historical exploration work has focused on EPM 12887. The topography of the EPC 12887 is dominated by the West Pyramid Range and the parallel East Pyramid Range.

The West Pyramid Range contains a plus 6km mineralized structure which extends from the Gettysberg and Sellheim prospects in the NNE to the Marrakesh and Pradesh prospects to the SSE. Gold and base metal mineralization, as defined by geological prospecting and surface sampling, occurs along the extent of this structure.

The East Pyramid Range is characterized by Late Carboniferous to Permian age intrusive related hydrothermal systems, which are associated with prominent bulk tonnage gold systems

Directors' Report

in North Queensland. Mt Leyshon, Ravenswood-Mt Wright and Kidston are multi-million ounce examples of this style of mineralisation in North Queensland.

Over the period, Avira has utilised the services of an independent geologist based in its advisors Perth offices to conduct a comprehensive review of the historic data on Ariva's North Queensland Pyramid Project sourced from the exploration contractor's (Terra Search) hard copy and digital archives. The documents reviewed included the latest technical reports and presentations on drilling, surface sampling and structural interpretations completed by MGT in 2015, 2014 and 2011, Diatreme Resources in 2005, 2006 and Dalrymple Resources/Newcrest in 1992-1995.

The Gettysberg and Sellheim prospects are the most advanced prospects within the Pyramid Project and have been the target of a number of drilling campaigns by the Company and past explorers. More recent exploration has included structural interpretation studies assessing the geometry of gold mineralisation previously defined at Gettysberg and other prospects. High grade mineralisation at Gettysberg has been interpreted to form in as a series of north plunging shoots.

The review has identified potential to test for high grade gold mineralization down dip from the interpreted plunging shoots as well as potential to define additional shoots. The structural studies have also identified targets for follow up exploration at Marrakesh-Madras and Tandoori-Breccia Hill.

The Company completed a Reverse Circulation (RC) drilling program, consisting of 24 holes for 3,566m, at the Project in 2015. This drilling tested extensions to known mineralisation at Gettysberg as well as structural models at Gettysberg, Sellheim, Marrakesh and Pradesh (see MGT ASX announcement dated 11 August 2015 titled "More High Grade Gold Intersections at the Pyramid Project").

The drilling at Gettysberg returned broad zones of high grade gold mineralisation within and adjacent to a low grade envelope defined from earlier drilling. Better results included 35m at 6.1g/t from 33m, including 5m at 37.1g/t from 33m, in MGTRC016 and 34m at 2.83g/t from 15m, including 15m at 5.63g/t from 24m in MGTRC018. These are down hole widths which may not reflect true widths – the geometry of mineralisation is still uncertain. Drilling at Sellheim as part of the same program confirmed the presence of very broad low grade mineralisation, returning intersections such as 123m at 0.26g/t from 25m and 52m at 0.27g/t from 25m.

Avira have most of this under-explored prospective belt at Pyramid under tenement. Review and recent analysis undertaken by Avira and its consultant technical experts supports a further program of targeted drilling designed to extend and expand on the interpreted high grade shoots, particularly at Gettysberg. Further geological prospecting and surface geochemical sampling to augment existing drill results may be required to assist in the definition of additional drill targets at Sellheim, Marrakesh, Pradesh and other prospects within this prospective belt.

2018 Exploration program

A program of targeted RC and / diamond drilling has been designed to further assess the potential of the Gettysberg prospect based on the detailed structural modelling that has assisted in delineating the geometry and control on the interpreted high grade shoots. The high grade gold mineralisation intersected in hole MGTRC016 at Gettysberg (35m @ 6.1 g/t gold from 33m (including 5m @ 37.1 g/t gold)) occurs at the southern end of the prospect and consists of fine (stygolitic) veins of chlorite-pyrite-quartz and quartz vein breccia, primarily hosted in fine sericite pyrite altered quartz sandstone. Visible gold has previously been located at the surface 50m to the west of the collar of hole MGTRC016.

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The planned drilling program at Gettysberg is expected to consist of four to five 150m to 200m deep RC holes with potential for diamond tails on two to three of the holes targeting the high grade plunging shoots.

It is estimated that this program will cost in the order of \$150,000 to \$200,000 including preparation, supervision, assaying and detailed analysis of geological and geochemical data. Detailed costing of this program will be finalized in the coming weeks and will be reported in due course.

Timetable

Indicative timing: Approximately March – June 2018.

Activity	Completion date	Status
Notification and approvals from Native Title Group, Department and Landowners	28 February	Completed
Engagement of drilling contractor & Earthmoving contractor	5 March	Completed
Initial field visit to peg holes and determine earthmoving requirements	12 March	Planned for week beginning 12 March
Site preparation	13 March	Substantially completed
Commencement of RC drilling.	20 March	Mobilisation planned for week beginning 19 March
Completion of RC drilling	24 March	To be advised
Receipt of Assay results	8 April	To be advised

In summary, the project review has determined that overall the Pyramid project remains prospective for higher grade mineralisation, particularly at the Gettysberg prospect, and further exploration along the Pradesh – Sellheim zone is likely to yield further mineralisation with scope for expansion of the previously defined high grade shoots.

Southern Queensland Projects

(Includes; Yarrol EPM8402, Mt Steadman EPM12834, Gooroolba EPM 15426).

No significant exploration work was undertaken on the Southern Queensland Project during the half year ended 31 December 2017.

Tenement Status

Lease	Current Area	Area Units	Grant Date	Expiry Date	Holder	EA
Mt Garnet						
ML20066	1.5	Hectares	30-Jan-92	30-Jun-21	AVIR	EPSL00266113
Pyramid						
EPM12887	16	Sub-Blocks	5-Aug-04	4-Aug-20	MGTM	EPSX00705113
EPM19554	14	Sub-Blocks	16-Dec-14	15-Dec-19	MGTM	EPSX00705113
EPM25154	49	Sub-Blocks	23-Feb-15	22-Feb-20	AVIR	EPSX00899513
Southern Queensland						
EPM12834	4	Sub-Blocks	17-Dec-99	16-Dec-18	MGTM	EPSX00600613
EPM15426	25	Sub-Blocks	15-May-06	14-May-19	MGTM	EPSX00157213
EPM8402	4	Sub-Blocks	13-Nov-91	12-Nov-18	MGTM	EPSX0060071

(d) Subsequent events

On 3 January 2018, a total of 257,911,705 ordinary shares were issued through completion of Entitlement Issue and Placement at \$0.003. The Company also issued 50,000,000 Unquoted

Directors' Report

options exercisable at \$0.01 each on or before 31 December 2019. Issued pursuant to the Entitlement Issue Offer document dated 5 December 2017 and the Notice of General Meeting dated 22 December 2017.

On 16 January 2018, 33,333,333 Shares (issued pursuant to resolution 3 as approved by shareholders at the general meeting held on 22 December 2017). The issued securities were to satisfy debt repayment of up to \$100,000 in debt owed by the Company to Nifliem Resources Pte Ltd.

On 2 February, the Company was suspended from quotation in accordance with Listing Rule 17.3, as ASX has determined that the Company does not have sufficient operations to warrant the continued quotation of its securities. Following the suspension, the Company has initiated the following key steps to ensure quotation of its securities is achieved in the near future.

- Completion of capital raise (entitlement issue and placement).
- Change to Board and Management composition.
- Recapitalisation and repayment of debt.
- Review of historic exploration actives on existing assets and engagement with contract exploration manager.
- Commitment to an exploration program on the prospective high grade gold targets with the Pyramid project. (Subsequently announced in the December Quarterly Activities Report lodged with ASX on 31st Jan).

During the period, the Foreign Investment Review Board (FIRB) approval was received for the transfer of tin assets and PPE from MGT Mining Limited to MGT Minerals Pty Ltd. On 9 February 2018, the Group has received notice of transfer of environmental authority on the tin tenements.

There has not been any other matter or circumstance 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.

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



David De Loub

Director

Dated: 16 March 2018

Auditors' Independence Declaration

In relation to our review of the financial report of Avira Resources Limited (formerly known as Avira Energy Limited) and its controlled entity for the half-year ended 31 December 2017, 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 Resources Limited (formerly known as Avira Energy Limited) and its controlled entity during the half-year ended 31 December 2017.

MAZARS RISK & ASSURANCE PTY LIMITED



Rose Megale
Director

Dated in Sydney, this 16th day of March 2018.

Directors' Declaration

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

- (a) The financial statements and notes of Avira Resources Limited and its controlled entities for the half-year ended 31 December 2017 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 2017 and of its performance for the half-year ended on that date; and
 - (ii) complying with Accounting Standard 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



David De Loub

Director

Dated: 16 March 2018

**Condensed Consolidated Statement of Comprehensive Income
As at 31 December 2017**

	Notes	Consolidated Half-year ended	
		31/12/2017	31/12/2016
		\$	\$
Revenues			
Other revenue		289	2,193
Expenses			
Other losses		(1,053,063)	(78,000)
Employee benefits expense		(133,183)	(232,265)
Depreciation and amortisation expense		(7,551)	(93,206)
Interest expense		(75,648)	(260,107)
Impairment loss	4	(71,415)	(719,373)
Loss on extinguishment of convertible note liabilities	8 (i)	-	(2,138,182)
Administration expense		(295,322)	(135,386)
Other expense		(101,846)	(282,065)
Loss before tax		(1,737,739)	(3,936,391)
Income tax (expense) benefit		-	-
Loss after tax		(1,737,739)	(3,936,391)
Loss for the year is attributable to:			
Owners of the parent		(1,677,953)	(3,794,784)
Non-controlling interest		(59,786)	(141,607)
		(1,737,739)	(3,936,391)
Loss for the period		(1,737,739)	(3,936,391)
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)
Total comprehensive loss for the period		(1,737,739)	(4,206,354)
Total comprehensive loss attributable to:			
Owners of the parent		(1,677,953)	(4,064,876)
Non-controlling interest		(59,786)	(141,478)
		(1,737,739)	(4,206,354)
Loss per share (cents per share)			
Basic EPS for the half-year	9	(2.45)	(7.86)
Diluted EPS for the half-year	9	(2.21)	(6.53)
<i>The above condensed consolidated statement of comprehensive income should be read in conjunction with the accompanying notes</i>			

**Condensed Consolidated Statement of Financial Position
As at 31 December 2017**

	Notes	Consolidated	
		31/12/17 \$	30/06/17 \$
ASSETS			
Current assets			
Cash and cash equivalents	6	732,746	138,552
Other receivables		12,263	47,963
Other financial assets		109,134	576,272
		<u>854,143</u>	<u>762,787</u>
Assets classified as held for sale		2,013,964	2,013,964
Total current assets		2,868,107	2,776,751
Non-current assets			
Exploration and evaluation expenditure	4	870,421	870,421
Other financial asset		2,870	2,869
Plant and equipment		-	7,551
		<u>873,291</u>	<u>880,841</u>
Total non-current assets		873,291	880,841
TOTAL ASSETS		3,741,398	3,657,592
LIABILITIES			
Current liabilities			
Trade and other payables		301,470	235,252
Unsecured borrowings	11	200,000	1,970,397
Secured borrowings	12	200,000	200,000
Provisions		-	26,368
		<u>701,470</u>	<u>2,432,017</u>
Secured and non secured liabilities directly associated with assets classified as held for sale		2,192,614	2,192,027
Total current liabilities		2,894,084	4,624,044
Non-current liabilities			
Provisions		-	47,719
Non-current liabilities Total		-	47,719
TOTAL LIABILITIES		2,894,084	4,671,763
NET ASSETS/(LIABILITIES)		847,314	(1,014,171)
EQUITY			
Issued capital	7	28,635,974	26,089,813
Reserves	8	2,128,655	1,164,575
Retained earnings		(29,029,086)	(27,440,116)
Equity attributable to owners of the parent		<u>1,735,543</u>	<u>(185,728)</u>
Non-controlling interest		(888,229)	(828,443)
TOTAL EQUITY		847,314	(1,014,171)

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

**Condensed Consolidated Statement of Changes in Equity
As at 31 December 2017**

CONSOLIDATED	Attributable to equity holders of the parent				
	Fully paid ordinary shares	Retained Earnings	Reserves	Non- controlling interests	Total equity
	\$	\$	\$	\$	\$
At 1 July 2017	26,089,813	(27,440,116)	1,164,575	(828,443)	(1,014,171)
(Loss) for the period	-	(1,677,953)	-	(59,786)	(1,737,739)
Other comprehensive income –					
Reclassification adjustment for loss included in Profit & Loss	-	-	1,053,063		1,053,063
Equity derivative converted	-	88,983	(88,983)	-	-
Issue of ordinary shares	866,593	-	-	-	866,593
Issue of preference shares	1,679,569	-	-	-	1,679,569
At 31 December 2017	28,635,974	(29,029,086)	2,128,655	(888,229)	847,314
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 – MGTR	-	203,760	(203,760)	-	-
Share options expired - MGTM	-	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

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 2017**

	Consolidated	
	31/12/2017	31/12/2016
	\$	\$
	<hr/>	<hr/>
Cash flows from operating activities		
Payments to suppliers and employees	(475,066)	(771,850)
Interest received	293	2,193
	<hr/>	<hr/>
Net cash flows from (used in) operating activities	(474,773)	(769,657)
	<hr/>	<hr/>
Cash flows from investing activities		
Proceeds from sale of property, plant & equipment	-	-
Payments for exploration costs	-	(113,897)
	<hr/>	<hr/>
Net cash flow from (used in) investing activities	-	(113,897)
	<hr/>	<hr/>
Cash flows from financing activities		
Proceeds from issues of equity securities	866,593	-
Proceeds from issuance of shares upon exercising of options	-	994,812
Proceeds from issuance of convertible note	-	500,000
Proceeds from secured and unsecured borrowings	202,374	-
Interest paid	-	(338,795)
	<hr/>	<hr/>
Net cash flow from (used in) financing activities	1,068,967	1,156,017
	<hr/>	<hr/>
Net (decrease)/increase in cash and cash equivalents	594,194	272,463
Cash and cash equivalents at beginning of period	138,552	149,060
	<hr/>	<hr/>
Cash and cash equivalents at end of period	732,746	421,523
	<hr/> <hr/>	<hr/> <hr/>

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 2017

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

(a) Basis of preparation

This condensed financial report for the half-year ended 31 December 2017 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 2017 and considered together with any public announcements made by Avira Resources Limited during the half-year ended 31 December 2017 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.

(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.

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 2017 the consolidated entity incurred a net loss after tax of \$1,737,739, cash outflows from operating and investing activities of \$474,773 and net assets of \$847,314. The ability of the Group to continue as a going concern and to pay their debts as and when they fall due is dependent in the Group's ability to raise additional funds through either debt financing, capital raising arrangements, refinancing options or asset sale.

A non-renounceable rights issue offer was made to existing shareholders in December 2017 on a 1 for 1 basis of 87,088,295 fully paid ordinary shares (Shares) at \$0.003 per Share to raise \$261,265.

The Company received acceptances for a total of 25,714,060 Shares and applications for a further 61,374,235 Shares under the shortfall offer raising the full subscription of \$261,265. These Shares were issued on 3 January 2018 and trading commenced on 4 January 2018.

Notes to the Financial Statements

For The Half-Year Ended 31 December 2017

A placement to raise \$512,470 via the issue of 170,823,410 Shares at \$0.003 per Share was approved by shareholders at the general meeting held on 22 December 2017. These Shares were also issued on 3 January 2018, with trading commencing on 4 January 2018. Also, 50,000,000 options were issued to Cicero Advisory Services Pty Ltd on 3rd January 2018.

The funds raised from the Offer and the Placement have been applied towards debt repayment with the balance being applied to operational activities and working capital.

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 2017: Nil).

4. EXPLORATION AND EVALUATION ASSETS

	31/12/2017	30/6/2017
	\$	\$
Balances at the beginning of the period	870,421	1,831,345
Tenement impairments	71,415	14,549
Expenditure incurred during the period	(71,415)	(205,204)
Reclassified as held for sale	-	(1,180,677)
Balances at the end of the period	<u>870,741</u>	<u>870,421</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.

The review led to the recognition of an impairment loss of \$71,415 in the Condensed Consolidated Statement of Comprehensive Income in the half year to 31 December 2017 for exploration assets.

5. SEGMENT INFORMATION

Avira Resources 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 2017 or the prior period.

Notes to the Financial Statements

For The Half-Year Ended 31 December 2017

6. CASH AND CASH EQUIVALENTS

For the purposes of the Condensed Cash Flow Statement, cash and cash equivalents comprise the following at 31 December 2017:

	31/12/2017	30/6/2017
	\$	\$
Cash and cash equivalents	732,746	214,684
	<u>732,746</u>	<u>214,684</u>

On 16 January 2018, 33,333,333 Shares (issued pursuant to resolution 3 as approved by shareholders at the general meeting held on 22 December 2017). The issued securities were to satisfy debt repayment of up to \$100,000 in debt owed by the Company to Niflhiem Resources Pte Ltd.

7. ISSUED SHARE CAPITAL

	31/12/2017	30/6/2017
	\$	\$
87,088,295 fully paid ordinary shares (30 June 2017: 48,306,640)	28,635,975	20,089,813
Fully paid convertible preference shares (30 June 2017: 6,000,000)	-	6,000,000
Share capital as at the end of period	<u>28,635,975</u>	<u>26,089,813</u>

7.1 Fully paid ordinary shares

	No of shares	Share capital \$
As at beginning of period	48,306,640	20,089,813
December 2017 issue of ordinary shares	11,760,000	140,000
Conversion of preference shares to ordinary shares	27,021,655	7,679,568
Rights Issue and Placement*	-	726,593
Capital raising costs	-	-
As at the end of period	<u>87,088,295</u>	<u>28,635,975</u>

*At the end of the December 2017 Quarter the Company held \$726,599 in Trust. The monies made up part of on the funds raised in the placement announced to ASX on 8 November 2017 and approved by Shareholders at the general meeting held on 22 December 2017. The Shares were issued on the 3rd of January 2018.

7.2 Convertible preference shares

	No of shares	Share capital \$
Balance as at beginning of period	18,181,820	6,000,000
Issue of preference shares	8,839,835	1,679,568

Notes to the Financial Statements

For The Half-Year Ended 31 December 2017

Conversion of preference shares into ordinary shares	(27,021,655)	(7,679,568)
Share capital as at the end of period	-	-

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.

During period ending 31 December 2017, the following preference shares were converted into ordinary shares on 11 October 2017.

- 9,090,910 preference shares issued to Cloud Adventurer Limited on the termination of \$3,000,000 Convertible note following the general meeting on 16 September 2016, now converted to Ordinary shares.
- 9,090,910 preference shares issued to Marvel Network Limited on the termination of \$3,000,000 Convertible note following the general meeting on 16 September 2016, converted to Ordinary shares.
- 8,839,835 Fully Paid Preference Shares issued to Armstrong Industries HK Limited following shareholder approval at a general meeting held on 26th September 2017.

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:

	31/12/2017		30/6/2017	
	No. of options	Weighted average exercise price \$	No. of options	Weighted average exercise price \$
Balance at beginning of period	7,727,728	0.01	7,727,728	0.01
Granted during the year (i)	-	-	-	-
Exercised during the year	-	-	-	-
Balance at end of the period	<u>7,727,728</u>	0.01	<u>7,727,728</u>	0.01
Exercisable at end of year	7,727,728		7,727,728	

Notes to the Financial Statements

For The Half-Year Ended 31 December 2017

9. LOSS PER SHARE

	Half-year ended 31/12/2017 Cents per share	Half-year ended 31/12/2016 Cents per share
Basis earning per share	(2.36)	(7.86)
Diluted earnings per share	(2.13)	(6.53)
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	(1,662,272)	(3,794,784)
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	68,582,814	48,306,617
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	(1,662,272)	(3,794,784)
Interest expense for the current year relating to the liability component of the convertible bonds	-	209,501
Earning used in the calculation of diluted EPS from continuing operations	(1,622,272)	(3,585,283)
	No.	No.
Weighted average number of ordinary shares for the purpose of diluted earnings per share	75,855,542	54,867,878

Notes to the Financial Statements

For The Half-Year Ended 31 December 2017

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 2017 and 31 December 2016 as well as balances with related parties as of 31 December 2017 and 30 June 2017:

(a) Subsidiaries

Name of subsidiary	Country of incorporation	Ownership interest 31/12/2017 %	Ownership interest 30/6/2017 %
MGT Mining Limited	Australia	89.48%	89.48%
Garimperos Pty Limited (i)	Australia	100.00%	100.00%
MGT Resources Pty Ltd (ii)	Australia	100.00%	100.00%

- i) Garimperos Pty Limited is 100% owned by MGT Mining Limited.
- ii) MGT Resources Pty Ltd was registered as a wholly owned subsidiary of Avira Resources Limited on 2 September 2016. On 31 January 2017, MGT Resources Pty Ltd changed its name to Avira Australia Pty Ltd.

(b) Transactions with related parties

- (i) During the period to 31 December 2017, Jonathan Back, a Director of Avira Resources Limited in his capacity as Chairman through his company, Ocean Central Limited received no fees during the period.
- (ii) Gary Kuo, provided employment services to Avira Resources Limited in his capacity as Managing Director. During the period to 31 December 2017, Gary Kuo received a salary of \$7,360 and superannuation benefits of \$608.
- (iii) Christopher Chen provided employment services to Avira Resources Limited in his capacity as Chief Operating Officer. During the period to 31 December 2017, Christopher Chen received a salary of \$26,500 and superannuation benefits of \$2,153.
- (iv) Avira Resources Limited provided key management personnel services to MGT Mining Limited, the 89.48% subsidiary of Avira Resources Limited for a total value of \$22,000 during the period to 31 December 2017.

11. UNSECURED BORROWINGS

		31/12/2017 \$	30/6/2017 \$
<u>Current</u>			
Convertible note	(i)	-	1,486,000
Convertible note	(ii)	-	484,397
Unsecured loan	(iii)	140,000	-
Unsecured loan	(iv)	60,000	-
		<u>200,000</u>	<u>1,970,397</u>

- (i) The parent entity Avira Resources 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.

Notes to the Financial Statements

For The Half-Year Ended 31 December 2017

Interest on the convertible notes is 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. On 15 September 2016, Armstrong Industries HK Limited agreed to extend the maturity of the convertible note of \$1,500,000 to 11 November 2017. The interest rate on the Armstrong Industries HK Limited convertible note increased to 15% in respect of the period on and from 12 November 2016. On 22 June 2017 Armstrong Industries HK Limited agreed to convert the \$1,500,000 convertible notes plus interest due and payable thereunder into preference shares on a dollar for dollar basis at a conversion price of \$0.19 per preference share.

- (ii) The parent entity, Avira Resources 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. Interest on the convertible note is payable at 6% per annum, quarterly in arrears. On 22 June 2017, Joseph Capital (Hong Kong) Limited signed a termination deed agreeing to extinguish the \$500,000 convertible note and all remaining interest due and payable to Joseph Capital (Hong Kong) Limited via the transfer of 16,949,176 Cauldron Resources Limited ordinary shares held by Avira Resources Limited, to Joseph Capital (Hong Kong) Limited or its nominee.
- (iii) MGT Minerals Pty Ltd has also agreed to extend an unsecured loan to MGT Mining Limited for a maximum of \$350,000 at an interest rate of 10% per annum, expiring on 30 October 2017, in order that MGT Mining Limited has the funds available to pay for the expenditures related to completing the government and regulatory approvals and other direct costs of transferring the assets to MGT Minerals Pty Ltd. As at 31 December 2017, \$140,000 had been used from this facility to which this was paid in full in January 2018.
- (iv) On 1 September 2017, Avira Resources Limited entered into unsecured lines of credit with the following Executive Directors:
- a \$20,000 line of credit with Jonathan Back,
 - a \$20,000 line of credit with Gary Kuo,
 - a \$20,000 line of credit with Christopher Chen.
- The redraw facilities are available until the earlier of the date on which further funding is received from a third party investor/s and 16 October 2017. The facilities are unsecured and allow Avira Resources Limited to repay any drawn down funds at any time during the availability period. There are no interest costs associated with the facilities, with the facilities paid back in full in January 2018.

The convertible notes have been accounted for in accordance with AASB 139: Financial Instruments:

12. SECURED BORROWINGS

	31/12/2017	30/6/2017
	\$	\$
<u>Current</u>		
Opening balance (i)	200,000	1,500,000

Notes to the Financial Statements

For The Half-Year Ended 31 December 2017

Repayment (ii)	-	(1,500,000)
Secured loan (iii)	-	200,000
Conditional Secured Converting Note (iv)	-	1,800,000
Reclassified to held for sale (iv)	-	(1,800,000)
	200,000	200,000

(i) 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.

(ii) The Taimetco International Co., Limited secured loan of \$1,500,000 plus interest was paid in full on 6 April 2017, following an agreed extension, using the majority of the funds received from the \$1,800,000 conditional secured converting note between MGT Mining Limited and Niflheim Resources Pte Ltd (see iv below). Following this, the security over the MGT Mining Limited assets held by Taimetco International Co., Limited were released.

(iii) On 17 May 2017, Avira Resources Limited signed a \$200,000 secured loan agreement with Niflheim Resources Pte Ltd, secured against the 95,638,256 shares that Avira Resources Limited holds in MGT Mining Limited. The secured loan expires within 3 months of issue. On 14 August 2017 Niflheim Resources Pte Ltd granted an extension to 22 August 2017. On 22 August 2017 a further extension was granted until 30 October 2017. The loan was paid back in full in January 2018, partly in cash and through the issue of 33,333,333 Shares (issued pursuant to resolution 3 as approved by shareholders at the general meeting held on 22 December 2017).

(iv) On 24 March 2017, MGT Mining Limited entered into a \$1,800,000 conditional secured converting note with Niflheim Resources Pte Ltd.

As part of the security arrangement with Niflheim Resources Pte Ltd, 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
- EPM 25690 Nymbool West
- EPM 25716 Fuzzy Hill
- EPM 25347 Nymbool Extended

On 22 August 2017, MGT Mining Limited entered into a deed of termination with Niflheim Resources Pte Ltd whereby the \$1,800,000 convertible note will be extinguished via the transfer of tin, property, plant and equipment at the Mount Garnet site to MGT Minerals Pty Ltd, an associated entity of Niflheim Resources Pte Ltd.

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.

Notes to the Financial Statements

For The Half-Year Ended 31 December 2017

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 2017. 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 3 January 2018, a total of 257,911,705 ordinary shares were issued through completion of Entitlement Issue and Placement at \$0.003. The Company also issued 50,000,000 Unquoted options exercisable at \$0.01 each on or before 31 December 2019. Issued pursuant to the Entitlement Issue Offer document dated 5 December 2017 and the Notice of General Meeting dated 22 December 2017.

On 16 January 2018, 33,333,333 Shares (issued pursuant to resolution 3 as approved by shareholders at the general meeting held on 22 December 2017). The issued securities were to satisfy debt repayment of up to \$100,000 in debt owed by the Company to Nifhiem Resources Pte Ltd.

On 2nd February, the Company was suspended from quotation in accordance with Listing Rule 17.3. Following the suspension, the Company has initiated the following key steps to ensure quotation of its securities is achieved in the near future.

- Completion of capital raise (entitlement issue and placement).
- Change to Board and Management composition.
- Recapitalisation and repayment of debt.
- Review of historic exploration actives on existing assets and engagement with contract exploration manager.
- Commitment to an exploration program on the prospective high grade gold targets with the Pyramid project. (Subsequently announced in the December Quarterly Activities Report lodged with ASX on 31st Jan).

During the period, the Foreign Investment Review Board (FIRB) approval was received for the transfer of tin assets and PPE from MGT Mining Limited to MGT Minerals Pty Ltd. On 9 February

Notes to the Financial Statements

For The Half-Year Ended 31 December 2017

2018, the Group has received notice of transfer of environmental authority on the tin tenements.

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 Resources Limited (formerly known as Avira Energy Limited)

Conclusion

We have reviewed the accompanying half-year financial report of Avira Resources Limited (formerly known as Avira Energy Limited) and its controlled entities (the "Group"), which comprise the statement of financial position as at 31 December 2017, statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies, other selected explanatory notes 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 Avira Resources Limited and its controlled entities is not 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 2017 and of its performance for the half-year ended on that date; and
- (ii) complying with Accounting Standard *AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

Material Uncertainty in respect of Going Concern - Emphasis of matter

Without qualification to the conclusion expressed above, we draw attention to Note 2 to the financial statements which contemplates the continuation of the Group as a going concern. The Group has incurred recurring losses from operations and its current liabilities exceeded its current assets by \$25,977 at the half year ended 31 December 2017. In addition, the Australian Securities Exchange (ASX) has suspended the Group's securities from quotation commencing on 2 February 2018 in accordance with Listing Rule 17.3 as the ASX has determined that the Group does not have sufficient operations to warrant the continued quotations of its securities in accordance with Listing Rule 12.1.

The ability of the Group to continue as a going concern is dependent upon the Group's ability to raise additional funds through either debt financing, capital raising arrangements, re-financing options or asset sales. Should the group fail to raise sufficient funds a material uncertainty exists which may cast significant doubt as to the Group's ability to continue as a going concern and therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business, and at the amounts stated in the financial report.

Directors' responsibility 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 presentation 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 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 2017 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 Resources Limited and its controlled entities during the half-year ended 31 December 2017, 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*.

MAZARS RISK & ASSURANCE PTY LIMITED

A handwritten signature in black ink, appearing to read 'R. Megale'.

Rose Megale
Director

Dated in Sydney, this 16th day of March 2018.