MAGNIS RESOURCES LIMITED

ABN 26 115 111 763

FINANCIAL REPORT
FOR THE HALF-YEAR ENDED
31 DECEMBER 2016

FINANCIAL REPORT

FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2016 and any public pronouncements made by MAGNIS RESOURCES LIMITED during the interim reporting period in accordance with the continuous disclosure requirements of the Australian Securities Exchange.

DIRECTORS' REPORT

Your Directors present their report on the consolidated entity of Magnis Resources Limited ("**Magnis**" or the "**Company**", ASX Code : MNS) for the half-year ended 31 December 2016.

DIRECTORS

The following persons were Directors of the Company during the half-year and up to 31 December 2016:

Frank Poullas (Non Executive Chairman)
Johann C Jooste-Jacobs (Non Executive Director)
Peter Tsegas (Non Executive Director)
Professor M. Stanley Whittingham (Non Executive Director, Appointed 4 November 2016)
Marc Vogts (Non Executive Director, Appointed 2 November 2016)
Peter Sarantzouklis (Non Executive Director, Appointed 2 November 2016)
Len Eldridge (Executive Director, Resigned 31 October 2016)
Colin Johnstone (Non Executive Director, Resigned 31 October 2016)

COMPANY OVERVIEW

Magnis Resources Limited is an Australian based graphite exploration and development company, listed on the ASX. The Company is focused on the development of its 100% owned Nachu Graphite Project in Tanzania, East Africa, with production to be targeted for lithium-ion battery markets for electric vehicles, energy storage and many other purposes including nuclear reactors.

REVIEW AND RESULTS OF OPERATIONS

The net loss after tax of the consolidated entity for the half-year ended 31 December 2016 was $5,960,816 (2015: $7,007,982) which was mainly due to exploration expenditure of $2,628,468 (2015: $4,389,439) that encompassed costs involved in the land valuation procedures, tenement re-valuations and land compensation payments to Project Affected Persons (PAP) for the Nachu Graphite Project in SE Tanzania.

An operational overview is set out below.

Overview

The exploration, valuation and operational activities for the half year ended 31 December 2016 were primarily focused on the pre-development work, land valuation and compensation payments at the Nachu Graphite Project.

The Nachu Project is west of the coastal city of Lindi and approximately 220km by road from the port city of Mtwara.

Land Valuation, Compensation and Re-settlement Process

The valuations for re-settlement and land compensation activities on the Nachu Graphite Project have now been completed, paving the way for construction of the mine.

An official valuation of the area within the Special Mining Licence (SML 550/2015) has now been completed and a total of US$3.4 million was calculated for the complete compensation package of crops and trees, land area, structures and other required items such as disturbance allowance. The valuation documents were accepted and approved for payment by the Chief Government Valuer.

The area of the SML is approximately 30km^2 and the valuation covered a total of 773 people or households who are affected by the project (Figure 1). Most of the people affected are being compensated for farm plots and there are 59 households on the SML that will be offered relocation to a new village area.

To complete the valuation, the Company contracted Paulsam Geo-engineering to manage the process and Ardhi University of Dar es Salaam to assist. The valuation exercise consisted of approximately 200 people including survey teams, valuation teams, Magnis representatives, Uranex Tanzania staff and Paulsam staff and monitors.

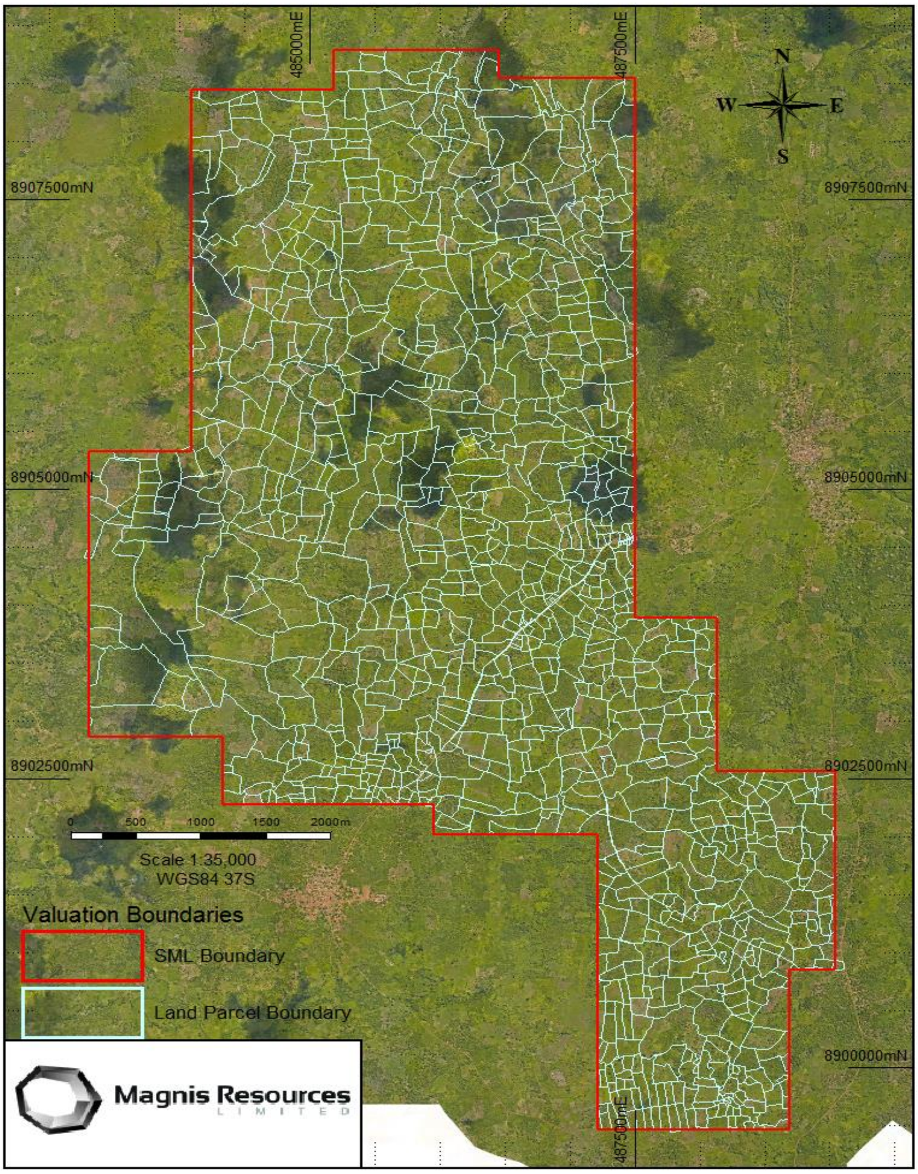

Figure 1 – Plan showing the individual parcels of land in the Special Mining Licence area.

The cost of both the compensation and re-settlement is consistent with estimations within the Bankable Feasibility Study.

Land has been purchased for the re-settlement of homeowners. The land has been cleared with construction activities beginning early in 2017.

Figure 2 – Land clearing for village construction site

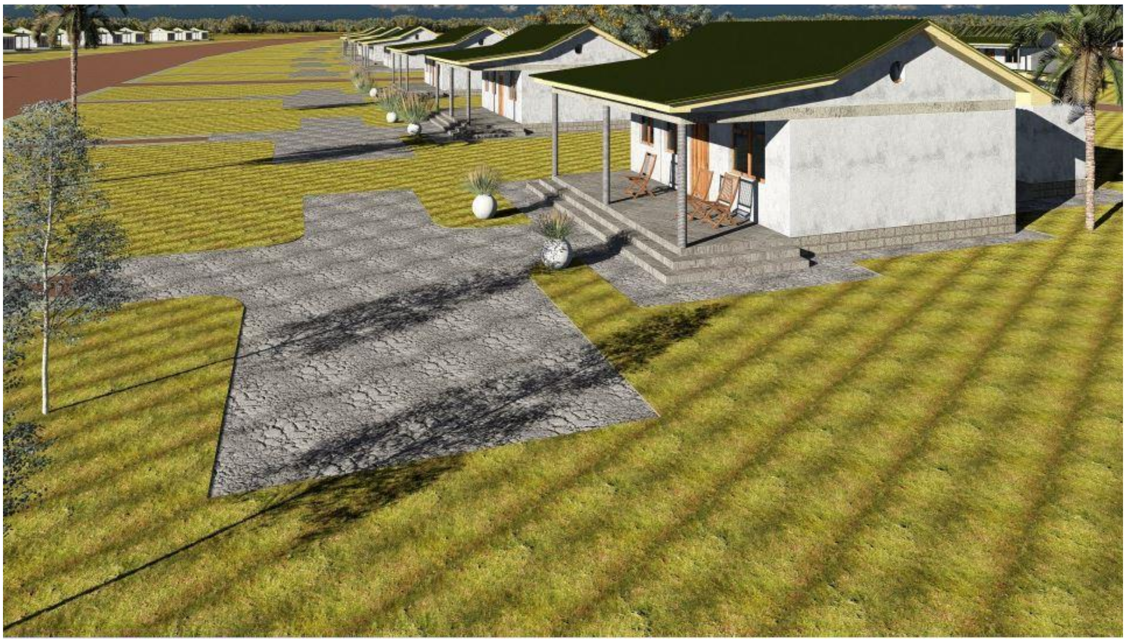

Figure 3 – Proposed re-settlement site to be built near Ruangwa

Further Battery Testing and Developments

The Company provided various updates on the positive lithium-ion battery results generated in the past six months:

- Significant progress was made using Thermo Gravimetric Analysis of graphite flakes produced using only physical steps (milling and flotation processes) with purity >99.95% TGC. This demonstrates potential to use bulk physical processes to produce anode materials that meet current <0.05% ash content specification.

- Full cell fabrication in a number of form factors with anode materials containing Nachu graphite was undertaken by an external testing facility. This final part in the commercial development program not only generates performance data around cycling and safety but also provides samples to potential end users for their own evaluation.

  After initial cycling at the external testing facility, the full cells have now been delivered to the Magnis testing facility in New York where they will now undergo extended cycling. Full cells have also been delivered to end users including major players in the automotive industry. Initial test results have been excellent in terms of first cycle efficiency and charge/discharge capacity.

- The Company has realised significant reductions in the manufacturing cost of graphite silicon blend anode material. Pricing per unit weight equivalent to that of current coated spherical natural graphite anode products has been attained. Taking into account the greater than 65% increase in energy density of the graphite silicon blend, means that this material will be very cost effective given the level of cell performance it can deliver.

  In recent months Magnis and its partners have received several approaches from parties interested in its graphite silicon blend anode material including major players in the automotive industry.

- The Magnis battery development team has sought to improve the energy efficiency and yield of the milling and spheronisation steps in making spherical graphite, identifying exciting opportunities for commercialisation. An agreement was reached with a major European equipment vendor to carry out a joint R&D and commercialisation program involving the modification of existing commercial equipment to achieve significant cost savings while delivering a high-quality product.

- Ausenco was recently selected to undertake the detailed engineering program of work in preparation for construction at the Nachu Graphite Project. An important aspect of this work has been equipment vendor testing to confirm the selected process flowsheet and associated equipment.

  In parallel to generating samples for vendor testing there has also been process optimisation work to demonstrate flexibility in the range of products that can be produced at the mine site. This optimisation work has demonstrated that the addition of cleaner flotation stages to the process can generate up to 99.9% TGC purity product when processing concentrate product from the mine processing plant flowsheet.

  This work continues to demonstrate to potential end users the versatility of the Nachu Graphite Project in being able to produce a range of graphite products in terms of size and purity to suit numerous applications.

CORPORATE

The key corporate events during the period were:

- Significant Board Appointments
- S&P/ASX 300 Index Inclusion
- Funds raised through continuation of listed and unlisted option conversions

Board Appointments

Mr Colin Johnstone and Mr Len Eldridge resigned as non-executive directors of the Company on 31 October 2016.

Mr Marc Vogts and Mr Peter Sarantzouklis were appointed as non-executive directors of the Company on 2 November 2016 and Distinguished Professor M. Stanley Whittingham joined the Board as a non-executive director on 4 November 2016.

Subsequent events to this reporting period, Dr Ulrich Helmut Bez joined the Magnis Board as a non-executive director on 7 February 2017.

The recent appointments provide significant strength for the Company.

S&P/ASX 300 Index Inclusion

During September 2016, the Company was included in the S&P/ASX 300 index for the first time as part of the rebalance of market indices. This rapid inclusion follows on from the inclusion into the All Ordinaries Index in March 2016.

Capital Funds

The Company did not enter into any significant capital raising events or placements, however an amount of $3,272,711 was raised through the exercise of listed ($1,671,468) and unlisted ($1,601,243) options in the past six month reporting period. As at 31 December 2016, the Company had in excess of 100 million listed options with an exercise price of $0.09533 outstanding on the market with an expiry date of 31 May 2017. Option holders have continued to exercise their holdings in the first six weeks of the calendar year providing further fund inflows for the Company.

SUSTAINABILITY

At Magnis, we believe that the commitment to the principles and practices of good corporate and environmental citizenship goes beyond the requirements of relevant authorities.

We aim to deliver best practice in all areas of sustainable development throughout the life of our projects and activities, including good corporate citizenship, working closely with local communities, protection and minimisation of environmental impacts of exploration and future operations, striving to educate on health and safety management and the development and maintenance of a safety culture.

During this reporting period the Company engaged itself in various Corporate and Social Responsibility (CSR) programs.

Magnis, through its 100% subsidiary entity, Uranex Tanzania Limited (UTL), were invited and attended a graduation ceremony for the army reserve in the Ruangwa district. This followed on from UTL providing donations for army uniforms. Further benefits via potential employment of these reserve recruits in some capacity could be a possibility.

UTL is also supplying materials to construct a local library that will be in addition to the donation of a significant number of books that has been provided by UTL.

As part of developing social relationships within the community and building a strong support between the corporate and local community, UTL have provided sponsorships in district events in the Ruangwa region including football and running. This creates local participation within the community and a positive environment.

As previously mentioned in the Land Valuation, Compensation and Re-settlement Process section of this Report, part of the project development involved a valuation of assets for all Project Affected Peoples (PAP) so that compensation payments could begin and the re-settlement of households. Approximately 95% of compensation payments were made by the end of January 2017.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the Auditor's Independence Declaration as required under section 307C of the Corporations Act 2001 is set out on page 9.

This report is made in accordance with a resolution of Directors.

F. Poullas

Frank Poullas
Chairman
Sydney, New South Wales
9 March 2017

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DECLARATION OF INDEPENDENCE BY GARETH FEW TO THE DIRECTORS OF MAGNIS RESOURCES LIMITED

As lead auditor for the review of Magnis Resources Limited for the half-year ended 31 December 2016, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Magnis Resources Limited and the entities it controlled during the period.

Gareth Few

Gareth Few
Partner

BDO East Coast Partnership

Sydney, 9 March 2017

Magnis Resources LIMITED

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

	NOTE	31-Dec 2016 $	31-Dec 2015 $
Income	4	500,263	20,008
Total Income		500,263	20,008
Total expenses	4	(6,461,079)	(7,027,990)
Loss before income tax		(5,960,816)	(7,007,982)
Income tax (expense) / benefit		-	-
NET LOSS FOR THE PERIOD		**(5,960,816)**	**(7,007,982)**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		134,121	342,911
Other comprehensive income for the period net of tax		**134,121**	**342,911**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**(5,826,695)**	**(6,665,071)**
Basic (loss) per share (cents per share)		(1.35)	(2.08)
Diluted (loss) per share (cents per share)		(1.35)	(2.08)

The above Consolidated Statement of Profit or Loss and other Comprehensive Income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2016

	NOTE	31-Dec 2016 $	30-Jun 2016 $
Current Assets			
Cash and cash equivalents		2,366,751	7,208,404
Trade and other receivables	5	367,428	212,101
Total Current Assets		**2,734,179**	**7,420,505**
Non-Current Assets			
Other receivables		162,865	67,391
Development	6	5,240,634	-
Property, plant and equipment		247,504	92,057
Total Non-Current Assets		**5,651,003**	**159,448**
TOTAL ASSETS		**8,385,182**	**7,579,953**
Current Liabilities			
Trade and other payables		2,301,463	544,417
Provisions		172,601	150,854
Total Current Liabilities		**2,474,064**	**695,271**
Non-Current Liabilities			
Provisions		12,092	19,675
Total Non-Current Liabilities		**12,092**	**19,675**
TOTAL LIABILITIES		**2,486,156**	**714.946**
NET ASSETS		**5,899,026**	**6,865,007**
Equity			
Contributed equity	7	90,745,119	87,476,445
Reserves		8,860,834	7,134,673
Accumulated losses		(93,706,927)	(87,746,111)
TOTAL EQUITY		**5,899,026**	**6,865,007**

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

Magnis Resources LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

	Consolidated	
	31-Dec 2016 $	31-Dec 2015 $
Cash flows from operating activities		
Interest received	14,392	11,312
R&D Grant	303,243	-
Payment for exploration expenditure	(2,614,773)	(4,509,628)
Payments for development expenditure	(3,734,152)	-
Payments to suppliers and employees	(2,253,227)	(1,895,263)
Net cash outflow from operating activities	**(8,284,517)**	**(6,393,579)**
Cash flows from investing activities		
Payment for property, plant and equipment	(70,262)	(28,245)
Net cash outflow from investing activities	**(70,262)**	**(28,245)**
Cash flows from financing activities		
Proceeds from issue of shares	3,272,712	5,385,287
Proceeds from exercise of share options - to be issued	213,981	-
Capital raising expenses	(4,038)	(205,057)
Net cash inflow from financing activities	**3,482,655**	**5,180,230**
Net cash outflow for the reporting period	**(4,872,124)**	**(1,241,594)**
Cash and cash equivalents at the beginning of the period	**7,208,404**	**2,817,006**
Effect of exchange rates on cash holdings in foreign currencies	30,471	4,730
Cash and cash equivalents at the end of the period	**2,366,751**	**1,580,142**

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

Magnis Resources LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

	Issued Capital	Options	Share Based Payment Reserves	Foreign Currency Translation Reserve	Accumulated (Losses)	Total Equity
	$	$	$	$	$	$
At 1 July 2016	**85,501,522**	**1,974,923**	**2,235,537**	**4,899,136**	**(87,746,111)**	**6,865,007**
Loss for the period	-	-	-	-	(5,960,816)	(5,960,816)
Other comprehensive income (loss)	-	-	-	134,121	-	134,121
Total comprehensive income for the half-year	**-**	**-**	**-**	**134,121**	**(5,960,816)**	**(5,826,695)**
Transactions with owners in their capacity as owners						
Contributions of equity, net of transaction costs	3,268,674	-	-	-	-	3,268,674
Share based payments	-	-	1,592,040	-	-	1,592,040
At 31 December 2016	**88,770,196**	**1,974,923**	**3,827,577**	**5,033,257**	**(93,706,927)**	**5,899,026**
At 1 July 2015	**70,162,879**	**1,974,923**	**1,892,579**	**4,598,116**	**(76,400,883)**	**2,227,614**
Loss for the period	-	-	-	-	(7,007,982)	(7,007,982)
Other comprehensive income (loss)	-	-	-	342,911	-	342,911
Total comprehensive income for the half-year	**-**	**-**	**-**	**342,911**	**(7,007,982)**	**(6,665,071)**
Transactions with owners in their capacity as owners						
Contributions of equity, net of transaction costs	5,181,287	-	-	-	-	5,181,287
Share based payments	-	-	515,864	-	-	515,864
At 31 December 2015	**75,344,166**	**1,974,923**	**2,408,443**	**4,941,027**	**(83,408,865)**	**1,259,694**

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

1. CORPORATE INFORMATION

Magnis Resources Limited (the "Company") is a for profit company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange. The half-year report for the six months ended 31 December 2016 of the Company was authorised for issue in accordance with a Directors' resolution dated 9 March 2017.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The condensed consolidated 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.*

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

It is recommended that the half-year financial report be read in conjunction with the annual financial report for the year ended 30 June 2016 with the exception of the Accounting Policy disclosed in Note 6: Development costs, and considered with any public announcements made by Magnis Resources Limited during the half-year ended 31 December 2016 in accordance with the continuous disclosure obligations of the ASX Listing Rules.

Significant judgements

The group measures the cost of equity-settled transactions with consultants, employees and directors by reference to the fair value of the equity instruments at the date at which they are granted. The fair value of share options is determined by an external valuer using a binomial option pricing model.

(i) New Accounting Standards and Interpretations

The accounting policies adopted are consistent with those of the previous financial year except for the mandatory adoption of new and revised Standards and Interpretations issued by the AASB. The adoption of the new and revised Standards and Interpretations had no material impact on these financial statements or on the financial position and performance of the group.

3. GOING CONCERN

The Group is involved in the exploration and evaluation of its mineral tenements. Further expenditure will be required upon these tenements to ascertain whether they contain economically recoverable reserves.

For the half-year ended 31 December 2016 the Group reported a net loss of $5,960,816 (2015: $7,007,982) and net cash outflows of $4,872,124 (2015: $1,241,594 net outflow). As at 31 December 2016, the Group had net assets of $5,899,026 (30 June 2016: $6,865,007) including cash reserves of $2,366,751 (30 June 2016: $7,208,404).

The balance of these cash reserves is not sufficient to meet the Group's planned expenditure budget including evaluation and development activities for the 12 months to 31 December 2017. The Group has exploration, evaluation and development expenditure forecast over the next 6 months totalling $5,193,304. In order to fully implement its exploration strategy, the Group will require additional funds.

The above matters give rise to material uncertainty which may cast significant doubt over the Group's ability to continue as a going concern.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

Notwithstanding the above, the financial statements have been prepared on a going concern basis which contemplates the continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

To continue as a going concern the Group requires additional funding to be secured from sources including but not limited to:

- A further equity capital raising;
- Listed options conversion which are expiring in May 2017;
- The potential farm out of participating interests in the Group's tenements; and/or
- The generation of sufficient funds from operating activities including the successful development of the existing tenements.

Having carefully assessed the uncertainties relating to the likelihood of securing additional funding, the Company's and the Group's ability to effectively manage their expenditures and cash flows from operations, the opportunity to farm out participating interests in existing permits and surrender non-prospective tenements, the Directors believe that the Group will continue to operate as a going concern for the foreseeable future. Therefore, the Directors consider it appropriate to prepare the financial statements on a going concern basis.

In the event that the assumptions underpinning the basis of preparation do not occur as anticipated, there is significant uncertainty whether the Company and the Group will continue to operate as a going concern. If the Company and the Group are unable to continue as a going concern they may be required to realise its assets and extinguish its liabilities other than in the normal course of business and at amounts different to those stated in the financial statements.

No adjustments have been made to the financial report relating to the recoverability and classification of the asset carrying amounts or the classification of liabilities that might be necessary should the Company and the Group not continue as a going concern.

4. INCOME AND EXPENSES FROM ACTIVITIES

	31-Dec 2016 $	31-Dec 2015 $
Income		
Interest received	15,710	11,267
R&D Grant	303,243	-
Foreign exchange gain	181,310	-
Other revenue	-	8,741
Total income	**500,263**	**20,008**
Expenses		
Administration	765,256	629,945
Legal and consulting	620,369	590,280
Depreciation	21,445	16,952
Employee benefits	833,501	545,295
Employee option contribution	973,535	(14,686)
Share based payment to non-employees	618,505	530,550
Foreign exchange loss	-	340,215
Exploration and evaluation	2,628,468	4,389,439
Total expenses	**6,461,079**	**7,027,990**

5. TRADE AND OTHER RECEIVABLES

	31-Dec 2016 $	30-Jun 2016 $
Accrued interest	1,440	123
Goods and services tax recoverable	58,640	54,116
Prepayments and other receivables	307,348	157,862
	367,428	**212,101**

6. DEVELOPMENT

	31-Dec 2016 $	30-Jun 2016 $
Development	5,240,634	-
	5,240,634	**-**

Development represents the accumulation of all the compensation and resettlement expenditure incurred by, or on behalf of, the entity in relation to areas of interest in which construction or development has commenced. Compensation and resettlement expenditures are capitalised as development.

Development costs in which the Group has an interest are amortised over the life of the area of interest to which the costs relates on a units of production basis over the estimated proved and probable ore reserves and a proportion of other measured and indicated mineral resources where there is a high degree of confidence that they can be extracted economically. Changes in the life of the area of interest and/or ore reserves and other mineral resources are accounted for prospectively.

7. CONTRIBUTED EQUITY

	31-Dec 2016 $	30-Jun 2016 $
Ordinary shares fully paid	88,770,196	85,501,522
Options issued	1,974,923	1,974,923
	90,745,119	**87,476,445**

During the period the Company raised:

- $Nil (31 Dec 2015 : $3,794,943) from the issue of ordinary fully paid shares net of capital raising costs.
- $3,268,674 (31 Dec 2015: $1,385,286) from the exercise of options and subsequent issue of 21,408,475 ordinary fully paid shares.

8. COMMITMENTS AND CONTINGENCIES

There has been no significant change to continent liabilities and commitment since 30 June 2016.

9. SEGMENT INFORMATION

Identification of reportable segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the executive management team (chief operating decision maker) in assessing performance and in determining the allocation of resources.

The operating segments are identified by management based on the manner in which the exploration expenditure is allocated to the geographical region. Discrete financial information about each of these operating businesses is reported to the executive management team on at least a monthly basis.

The reportable segments are based on aggregated operating segments determined by the exploration expenditure, as these are the sources of the Group's major risks.

Accounting policies and inter-segment transactions

The accounting policies used by the Group in reporting segments internally are the same as those contained in note 1 to the 30 June 2016 financial report and in the prior period. It is the Group's policy that if items of revenue and expense are not allocated to operating segments then any associated assets and liabilities are also not allocated to segments. This is to avoid asymmetrical allocation within segments which management believe would be inconsistent.

The following table presents revenue and profit information for reportable segments for the half-years ended 31 December 2016 and 31 December 2015, and assets and liabilities for reportable segments at 31 December 2016 and 30 June 2015.

	Half-year 31-Dec 2016 Loss Before Tax $	Half-year 31-Dec 2016 Segment Revenue $	Half-year 31-Dec 2015 Loss Before Tax $	Half-year 31-Dec 2015 Segment Revenue $
Segment results and revenues				
Segments				
Australia	(10,250,509)	731,271	(6,880,001)	285,703
East Africa	(964,069)	1,940,960	(2,645,353)	32
Inter segment elimination	5,253,762	(2,171,968)	2,517,372	(265,727)
Consolidated	**(5,960,816)**	**500,263**	**(7,007,982)**	**20,008**

	31-Dec 2016 Segment Assets $	31-Dec 2016 Segment Liabilities $	30-Jun 2016 Segment Assets $	30-Jun 2016 Segment Liabilities $
Segment assets and liabilities				
Segments				
Australia	2,070,580	1,097,784	7,062,966	690,996
East Africa	6,328,461	61,068,010	557,820	52,500,333
Inter segment elimination	(13,859)	(59,679,638)	(40,834)	(52,476,383)
Consolidated	**8,385,182**	**2,486,156**	**7,579,952**	**714,946**

10. SHARE-BASED PAYMENTS

a) Recognised share-based payment expenses

The expense recognised for employee and contractor services received during the period is shown below:

	Half-year 31-Dec-16 $	Half-year 31-Dec-15 $
Expense arising from equity-settled share-based payment transactions	1,592,040	515,864
Total expense arising from share-based payment transactions	**1,592,040**	**515,864**

b) Summaries of options and rights granted

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, share options issued during the half-year.

	Half-year 31-Dec-16 Number	Half-year 31-Dec-16 WAEP
Outstanding at the beginning of the half-year	16,875,000	0.38
Granted during the period	6,600,000	0.71
Exercised during the period	(3,875,000)	0.41
Expired during the period	-	-
Outstanding at the end of the half-year	**19,600,000**	**0.47**
Exercisable at the end of the half-year	**19,600,000**	**0.47**

11. SUBSEQUENT EVENTS

No other matter or circumstance has arisen since 31 December 2016, which has significantly affected, or may significantly affect the operations of the Group, the result of those operations or the state of the affairs of the Group in subsequent period.

Magnis Resources LIMITED

DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of Magnis Resources Limited, I state that:

In the opinion of the Directors:

a. The financial statements and notes of Magnis Resources Limited for the half-year ended 31 December 2016 are in accordance with the Corporation Act 2001, including:

   i. giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and its performance for the financial half-year ended on that date;

   ii. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and Corporations Regulations 2001; and

b. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board.

F. Poullas

Frank Poullas
Chairman
Sydney, New South Wales
9 March 2017

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Magnis Resources Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Magnis Resources Limited, which comprises the consolidated statement of financial position as at 31 December 2016, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

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 preparation of the half-year financial report that 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 half-year 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 Magnis Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Magnis Resources Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

Magnis Resources LIMITED

BDO

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Magnis Resources Limited 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 2016 and of its performance for the half-year ended on that date; and

(ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Emphasis of matter - Material uncertainty relating to going concern

We draw attention to Note 3 in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business. Our conclusion is not modified in respect of this matter.

BDO East Coast Partnership

BDO

Gareth Few

Gareth Few
Partner

Sydney, 9 March 2017