AVIRA ENERGY
LIMITED

2017 ANNUAL REPORT

CORPORATE DIRECTORY 2017

DIRECTORS

Jonathan Back
Executive Chairman
Gary Kuo
Executive Director and Managing Director
Christopher Chen
Executive Director and Chief Operating Officer
Wenshan Zhang
Non-executive Director
Rui Zhang (appointed 6 December 2016)
Non-executive Director

COMPANY SECRETARY

Jacqueline Butler

NOTICE OF ANNUAL GENERAL MEETING

The Annual General Meeting of Avira Energy Limited will be held at: to be advised.

PRINCIPAL REGISTERED OFFICE

Avira Energy Limited
1305, Level 13, 109 Pitt Street
Sydney, NSW 2000
Telephone: +61 2 9262 1122
Facsimile: +61 2 9299 5175
Email: info@aviraenergy.com
Web: www.mgt.net.au

STOCK EXCHANGE LISTING

Avira Energy Limited is listed on the Australian Securities Exchange Limited (ASX) under the code AVW.

SHARE REGISTRY

Computershare Investor Services Pty Ltd
GPO Box 52, Melbourne, Victoria 3001
Telephone: 1300 552 270 (within Australia)
+61 3 9415 4000 (outside Australia)

BANKERS

Westpac Banking Corporation

SOLICITORS TO THE COMPANY

HWL Ebsworth Lawyers
Level 14, Australia Square
264-278 George Street
Sydney NSW 2000

AUDITORS

Mazars Risk & Assurance Pty Limited
Level 12, 90 Arthur Street
North Sydney, NSW 2060

CORPORATE GOVERNANCE STATEMENT

The Corporate Governance Statement for Avira Energy Limited can be found at the 'About Us', Corporate Governance tab at http://www.mgt.net.au/about-us/corporate-governance/

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ANNUAL REPORT 2017

CHAIRMAN'S LETTER

Dear Shareholders,

As shareholders will be aware, over the last 18 months Avira Energy Ltd has been pursuing a strategy of investment into the uranium mining sector, working together with our principal investor partners in China. To that end we successfully reached an agreement with Paladin Energy Ltd to enter into a joint venture relating to their Manyingee tenements in West Australia.

Unfortunately at the same time as we were due to complete the transaction, there was a change in the West Australian government, with the new government making it clear that no new approvals for uranium mining would be granted. This has indeed now been made policy in West Australia. Given this, it was not possible to secure funding for this project and we were compelled to withdraw.

In addition, the overall uranium market has seen continued headwinds which have made it a challenging environment for all concerned. Shareholders will likely be aware of the difficult situation other companies in this sector have found themselves.

While we continue to believe that there is a positive future for the uranium industry given the increasing moves to electrification of transport and into non-carbon based generation, the environment is particularly challenging for a new, and small, entrant such as Avira. On this basis, we have decided to return to our focus on base and precious metals where opportunities for small companies are greater.

Our other main focus has been to continue the restructuring of our balance sheet, with a further significant move to that end in September 2017 as most of our remaining debt has been converted into preference shares or retired through an asset swap. We have also been able to strike a deal at the MGT Mining Ltd level by which the remaining non inter-company debt will be discharged in exchange for the tin assets and property, plant and equipment at Mount Garnet. This leaves us with our significant portfolio of gold exploration assets in Queensland. We are also looking intensively into further projects commensurate with our size and focus where we believe such projects can deliver meaningful value for shareholders.

Overall, we cannot be happy with the developments over the last 12 months, particularly in the uranium sector, but we are determined to restore value to shareholders through prudent transactions. We would like to thank our shareholders, employees and other stakeholders for their support.

Jonathan Back
Executive Chairman

OPERATIONS REPORT

1. MOUNT GARNET TIN PROJECT
89.48% owned by Avira

The Mount Garnet Project includes the following tenements:

ML 4349 “Mount Veteran”; ML 20547 “Summer Hill”; ML 20655 “Heads or Tails”; ML 20066 “Valetta”; EPM 16948 “Nymbool”; EPM25433 “Nanyetta”; EPM25690 “Nymbool West”; EPM25716 “Fuzzy Hill”; EPM25347 “Nymbool Extended”

Avira’s Mt Garnet Tin Project is located approximately 100km (3 hour drive on largely-sealed road) south west of Cairns in far North Queensland.

The Summer Hills Mining Lease ML 20547 was granted for a period of 21 years from 1st February 2013. The Summer Hills ML is 1170 Ha in area making it one of the largest mining leases in the region. The Mt Veteran Tin processing plant is located on ML4349; wholly surrounded by the Summer Hills ML 20547. A number of tin mining and exploration targets are located within the Summer Hills ML.

During the current financial year Avira has been focusing on cash preservation during the period of capital restructuring and on working through the regulatory and other approvals required for the proposed joint venture with Paladin Energy Limited over their Manyingee uranium assets in Western Australia. Unfortunately, the joint venture did not proceed following the election of a labor government in March 2017 which resulted in previously interested investors, withdrawing their support, making it not possible for Avira to satisfy the financing conditions within the timeframe set out in the Sale of Tenement Agreement. During this period of capital restructuring and cash preservation, the Mt Garnet Project has continued to be on care and maintenance.

Geological modelling of the Dalcouth prospect, conducted in 2016 as part of the mineral resource update, indicated that mineralisation is associated with rhyolitic dykes. A similar model may be relevant for the Summer Hill prospect, so geological mapping, rock chip sampling and review of existing RC rock chips to identify the presence of rhyolite has been conducted during this year and is continuing.

Next Steps for Mt Garnet

Further exploration/infill drilling at Dalcouth is warranted, to test extensions to mineralisation to the north-west and south-east, as well as further exploration of the Dalcouth Northeast deposits to increase their size and confidence level. Greater geological understanding has identified a number of key areas that could be exploited. Avira also plans to conduct follow-up drilling at the Summer Hill prospect, which was drilled in 2014 and returned encouraging results (see fig. 1).

There also remain a number of new anomalous tin areas identified by soil sampling conducted over the Summer Hills Mining Lease (ML20547) and these warrant follow up (see fig. 2).

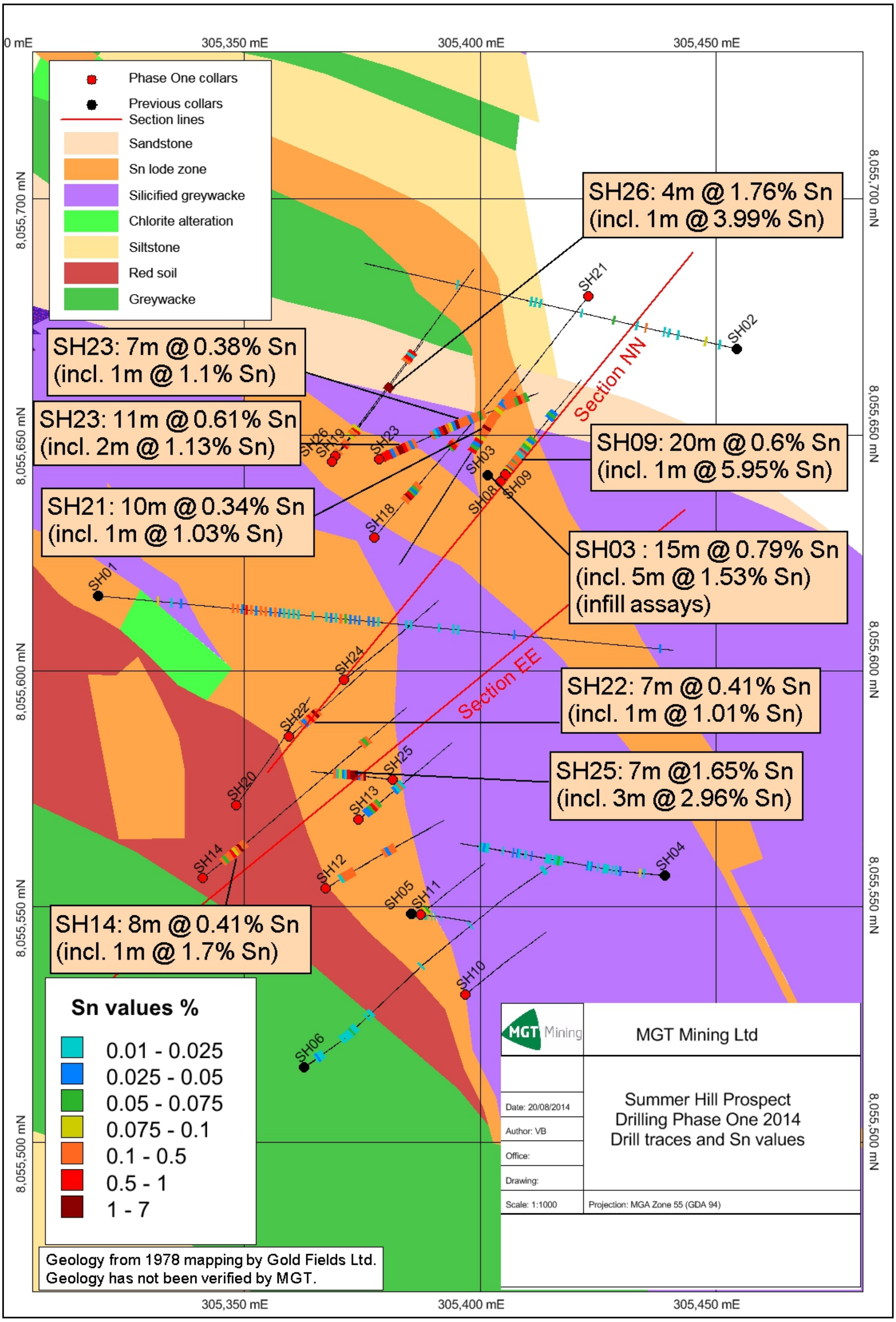

***Figure One**: Plan showing drill traces at the Summer Hill prospect with Sn values. Positive results indicate follow-up drilling is warranted.*

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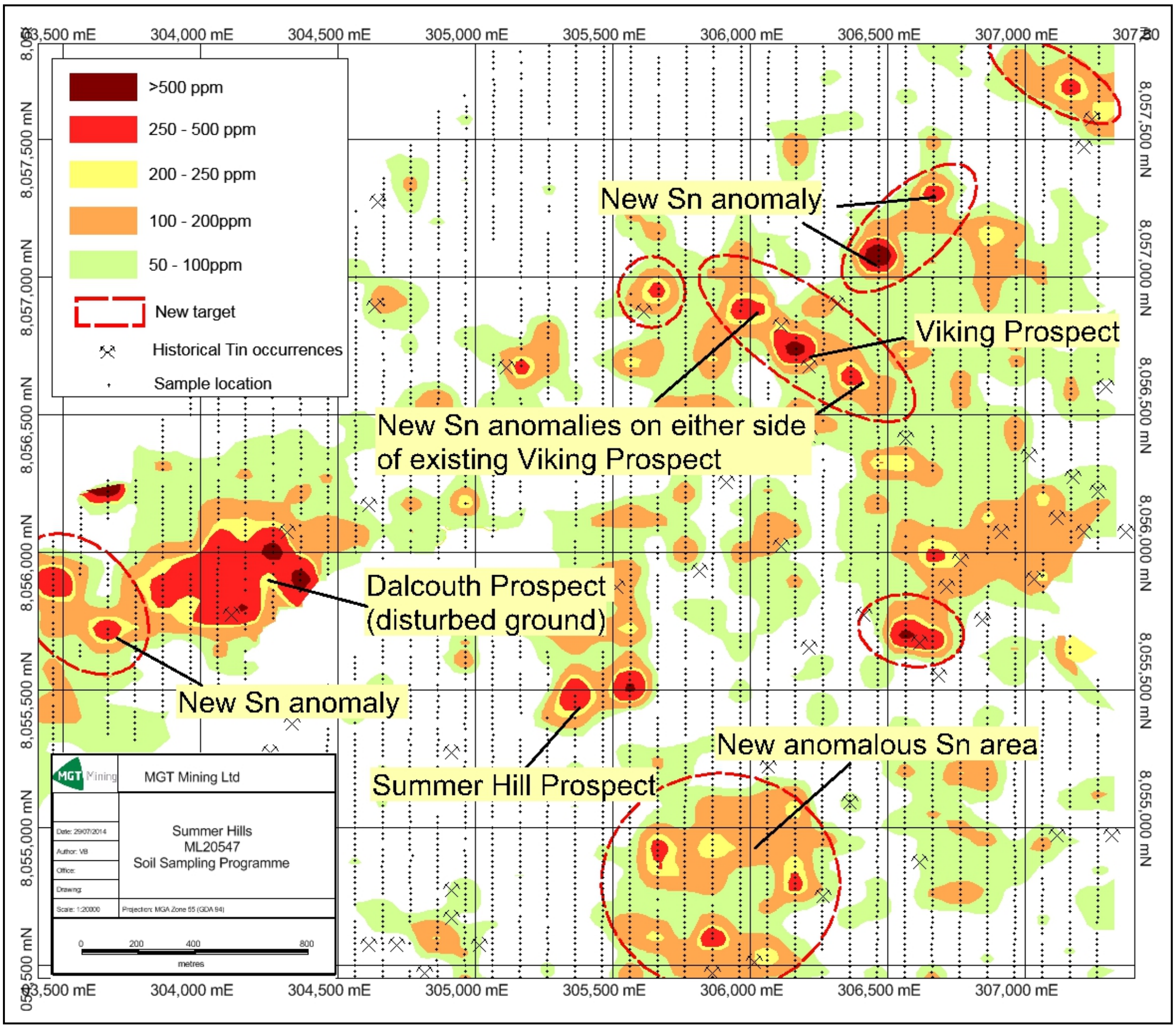


Figure Two: *Location of tin geochemical anomalies identified from soil sampling over the Summer Hills mining lease. New anomalous areas remain to be tested.*

2. THE PYRAMID GOLD PROJECT (EPM 12887)
89.48% owned by Avira

The Pyramid Project includes the following tenements:

EPM12887 “Pyramid”; EPM25154 “Pyramid 2”; EPM19554 “Pyramid 3”

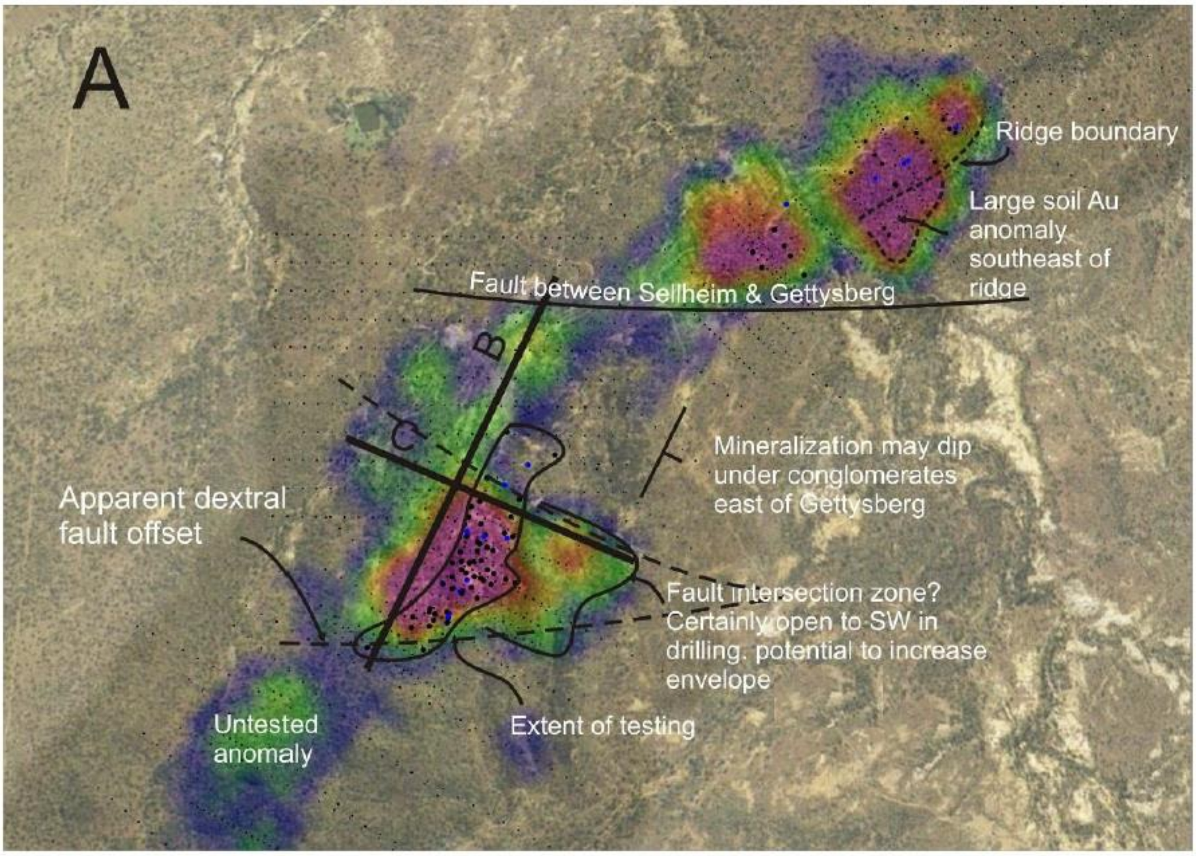
The Pyramid Project is located in the Drummond Basin, North Queensland, which is one of Australia’s most significant gold producing regions. The area is host to many successful deposits including Pajingo, Yandan, Wirralie, Mount Coolon and Twin Hills. The project area lies on a major north-northeast trending belt of gold mineralisation developed over a strike length of 20km.

The Pyramid Project is located approximately 170km south of Townsville and 120km southeast of Charters Towers. Access from Townsville is via the Flinders Highway to Mingela, then sealed road to the Burdekin Dam Falls and then by graded council road to Pyramid Station.

During the current financial year Avira's focus has been on capital reconstruction and cash preservation. As a result there has been no significant exploration conducted.

A number of targets arising from examination of soil and modelled drill data remain to be tested:

- At Sellheim, a large soil Au anomaly to the east of the ridge has two holes in it, but has not been satisfactorily explained and remains largely untested (see Figure 3A). In general the strongest soil anomalies are located at Sellheim and neither has been convincingly tested.



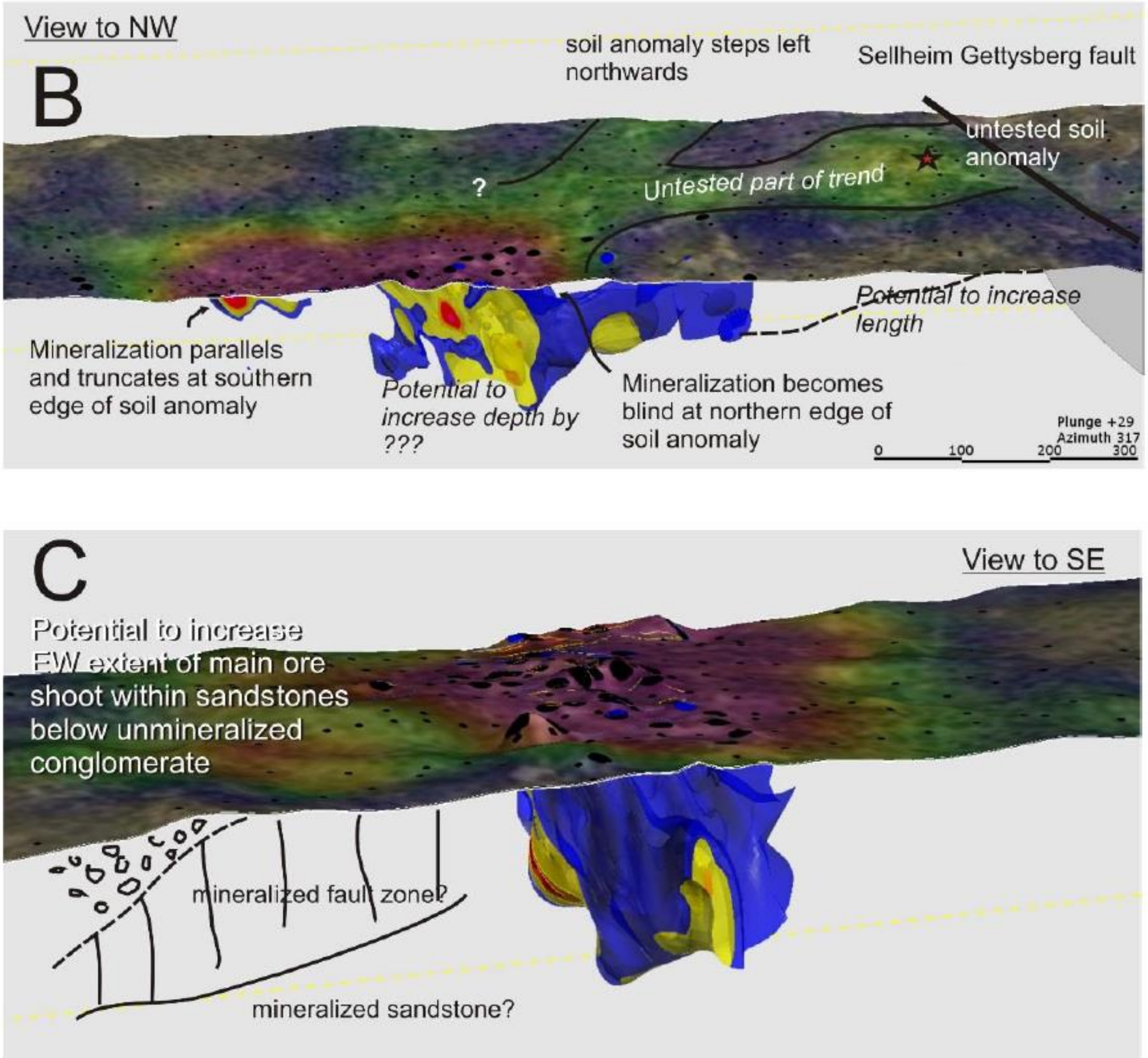


***Figure Three**: Exploration potential at Pyramid. B and C are 100m wide perspective views centred on locations shown in A.*

The width of the mineralised envelope at Gettysberg is ~150 m wide and 750 m long, but this is not indicative of the maximum extent as explained below.

- Sellheim and Gettysberg are separated by a fault that strikes approximately EW. The fault appears to dip to accommodate thrusting but its sense of throw is unclear. South of the fault and north of Gettysberg, a significant soil anomaly with Au 30-45 ppb lies at the northern end of a finger of anomalous Au that extends from just NW of the drilled part of the Gettysberg prospect (Figure 3A and B). This anomaly is untested and has the potential to increase the volume of the prospect.
- The core of the Gettysberg prospect is anticlinal. The soil anomaly extends eastward for over 400 m toward the conglomerate ridges. It becomes less distinct on the ridges, and the slope of the anomaly is greatest at the base of the ridges. This may be significant in that the Ukalunda Formation dips to the east on that side and mineralised rocks may extend below the conglomerate ridges (Figure 3C). Even without extension below the conglomerate, a successful drilling program in this zone has the potential to increase the volume of the prospect.

- The major Gettysberg soil anomaly is constrained between two known fault zones, with opposite shear sense (i.e. generally conjugate). The intersection of these zones, east of the drilled part of the prospect and within the extent of the soil anomaly described above, is likely to be prospective.
- At Devil's Den in the southwest of the prospect, the overall trend of mineralisation is strongly WSW to EW trending. The truncation occurs along the trace of a known fault (Figure 3A and B) but as presently drilled the mineralisation is not continuous to depth. Additionally, its continuity EW along strike in both directions (particularly NE) is relatively poorly constrained.
- The mineralisation is open to the North at depth (north of hole MGTRC018), and lateral continuity to the SE is untested.

Next steps for Pyramid

Terra Search Pty Ltd, Avira's consultant Geologists for the project, has made some recommendations for future exploration at the Pyramid Project.

Further drilling at all sites should be preceded by ground truthing of all potential gold targets around the mineralised intercept. This field work could involve a structural assessment and focused mapping of identified soil anomalies to better constrain drill positions. Future holes at Gettysberg should be staked out by a full RTK survey to ensure optimal targeting.

Oriented diamond core would greatly enhance the understanding of the orientation and controls on high gold grades at Gettysberg, and probably other prospects. The existing historical diamond cores, despite their poor condition have proven invaluable in providing additional information in the association of mineralisation with small scale structure. Identification of breccia within the core strongly suggests the importance of north west faulting for mineralisation, but the kinematics of the fault are still unconstrained and existing core does not allow unique characterisation of the structures and their relationship to surface mapped geology. Oriented cores drilled within a known mineralised shoot will provide the best opportunity to achieve this goal and will greatly aid in the understanding of the mineralisation.

Finer scale soil Au sampling would be appropriate in several localities, particularly at Marrakesh where a strong anomaly is clearly located on the southern slope of a valley. The apparently strong relationship between magnetic susceptibility and Au suggests that a high resolution magnetic survey of the Gettysberg and Sellheim prospects would be a very cost effective targeting method.

3. THE SOUTHERN QUEENSLAND PROJECT (EPM8402, EPM12834 and EPM15426)

Avira has three separate gold prospect areas in Southeast Queensland, Yarrol (EPM 8402), Mt Steadman (EPM12834) and Gooroolba (EPM 15426). These are non-core assets and Avira is considering divestment options.

No significant exploration has been conducted during the financial year.

4. CORPORATE

The following significant transactions and events occurred during the financial year:

Annual general meeting

Avira Energy Limited held its annual general meeting on 30 November 2016. All resolutions put to shareholders were passed.

General meeting

Avira Energy Limited held a general meetings on 16 September 2016 and 19 January 2017. All resolutions put to shareholders were passed.

Funding

On 3 June 2016, Avira Energy Limited announced that Joseph Capital (Hong Kong) Limited had agreed to subscribe for 30,303,030 ordinary shares at $0.033 per share for $1,000,000 in new funding. The placement was completed on 19 July 2016.

On 14 September 2016, Avira Energy Limited announced that Joseph Capital (Hong Kong) Limited had entered into a $500,000 unsecured convertible note, with the note automatically converting into 15,151,515 Avira Energy Limited fully paid ordinary shares at $0.033 per shares with an expiry 12 months after the date of issue. The funds were received and the note issued on 19 October 2016.

On 24 March 2017, MGT Mining Limited entered into a $1,800,000 conditional secured converting note with Niflheim Resources Pte Ltd, with the majority of funds used to pay the $1,500,000 Taimetco International Co. Limited secured loan plus interest (see Note 15). Of the $1,800,000 received, $100,000 was transferred from MGT Mining Limited to Avira Energy Limited to reduce the intercompany loan.

On 17 May 2017, Avira Energy Limited announced a $200,000 secured loan with Niflheim Resources Pte Ltd, secured against the 95,638,256 shares that Avira Energy Limited holds in MGT Mining Limited (See Note 15).

5. CHANGES IN CAPITAL STRUCTURE

Issue of ordinary shares

Avira Energy Limited issued the following during the year ended 30 June 2017:

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

Issue of preference shares

- On 16 September 2016, 90,909,091 preference shares were issued to Cloud Adventurer Limited and 90,909,091 preference shares were issued to Marvel Network Limited, following a general meeting approving the conversion of $6,000,000 convertible notes to preference shares.

Options expired

During the year all remaining employee share options of 7,850,000 expired.

Options issued

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 24).

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

6. ANNUAL RESOURCES STATEMENT

Table 1 Mineral Resource Estimates at 30 June 2017

PROJECT	JORC Resource	JORC Category	Date Reported	SG	Cut Off
Smiths Creek Tin	200 000 – 250 000 tonnes grading between 1% and 2% tin	Exploration Target	VWPL September 2014		
Mount Veteran MLs Tin lode systems	All lodes except Dalcouth/Extended 250 000 to 450 000 tonnes grading between 0.3% and 0.7% tin	Exploration Target	VWPL September 2014		
Dalcouth Tin	408,000 tonnes grading 0.32% 87,000 tonnes grading 0.24%	Measured Indicated	Tim Callaghan, March 2016	2.7 2.7	Cut-off at 0.1% tin - Top-cut at 97.5th percentile
Extended Tin	9,500 tonnes grading 0.35%	Inferred	Tim Callaghan July 2011	2.5	Cut-off at 0.1% tin - Top-cut at 97.5th percentile
Nymbool Gold	12 200 000 tonnes minimum grading 0.4 g/t gold contains 2 250 000 tonnes grading 0.73 g/t gold,	Indicated Indicated	VWPL 2006 Murray 1996, Davis 2006	2.5 2.5	0.5 g/t gold 0.5 g/t gold
Yarrol Gold	273 000 tonnes grading 1.5 g/t gold 877 000 tonnes grading 1.5 g/t gold	Indicated Indicated	Gallo 1996, Murray 1997 Gallo 1996, Murray 1997	2.5 2.5	0.5 and 20 g/t top cut 0.5 g/t gold
Mount Steadman Gold	1 170 000 tonnes grading 0.95 g/t gold	Indicated	Gallo 1996	2.5	0.5 g/t gold

Avira conducted its annual resource review on the 21 August 2016. There have been no changes to Avira's JORC resource during the current financial year.

Summary of Governance Arrangements and Internal Controls

Governance of Avira Energy Limited's mineral resource development is a key responsibility of the Executive Management of the Company.

Avira's governance involves engaging independent experts in resource review and calculation. For this resource review Veronica Webster Pty Ltd conducted a full review of Avira's resource inventory to assure compliance with the updated JORC code. Resources are reported based on compliance with this external standard; the Australian Joint Ore Reserves Committee (JORC) Codes, 2004 Edition and 2012 Edition.

Exploration work is overseen by independent consulting Geologists from Rangott Mineral Exploration Ltd and Terra Search Pty Ltd. Within Avira's structure the Managing Director, Chief of Operations and Operations Geologist oversee reviews and evaluations and are responsible for monitoring exploration and resource development. These activities are conducted within a framework of quality assurance and quality control, with appropriate practices engaged at all stages.

Internal assessment of data veracity is managed by the Operations Geologist, in conjunction with Rangott Mineral Exploration Ltd and Terra Search Pty Ltd.

Competent Persons named by Avira Energy Ltd are members of the Australian Institute of Geologists and/or the Australian Institute of Mining and Metallurgy, and qualify as Competent Persons as defined in the JORC Code.

Competent Person Statements

The Exploration Results presented here are extracted from the following reports: 'Soil sampling programme increases tin potential at Summer Hills Mining Lease', 6th August, 2014; 'Final results from Phase One of the 2014 Summer Hills Drilling Programme'; 'Soil sampling programme reveals gold anomalies along 5km structure', 20th April, 2015; 'Infill soil sampling program adds value to Pyramid Project', 2nd June, 2015; 'Remodelling with new gold results significantly extends mineralised zone', 31st August, 2015. These reports are available for view on the website of the Australian Securities Exchange (ASX: AVW). The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement. The company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcement.

Information in this report related to Mineral Resources is based on data compiled by Avira technical staff and reviewed by Mr Les W Davis. Mr Davis is a member of both the AIG and the AusIMM and is a Chartered Professional Geologist. Mr Davis has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Davis consents to the inclusion in the report of the statements based on the information in the form and context in which it appears.

Mineral Tenements held at the end of the year and their location:

State	Tenement Name	Tenement ID	Location	Interest	Holder	Comments
QLD	Mt Veteran	ML 4349	Mt Garnet	89.48%	MGTM	Granted
QLD	Summer Hills	ML 20547	Mt Garnet	89.48%	MGTM	Granted
QLD	Heads or Tails	ML 20655	Mt Garnet	89.48%	MGTM	Granted
QLD	Valetta	ML 20066	Mt Garnet	100%	MGS	Granted
QLD	Nymbool	EPM 16948	Mt Garnet	89.48%	MGTM	Granted
QLD	Nanyetta	EPM 25433	Mt Garnet	89.48%	MGTM	Granted
QLD	Nymbool Extended	EPM 25347	Mt Garnet	89.48%	MGTM	Granted
QLD	Nymbool West	EPM 25690	Mt Garnet	89.48%	MGTM	Granted
QLD	Fuzzy Hill	EPM 25716	Mt Garnet	89.48%	MGTM	Granted
QLD	Pyramid	EPM 12887	Drummond Basin	89.48%	MGTM	Granted
QLD	Pyramid 3	EPM 19554	Drummond Basin	89.48%	MGTM	Granted
QLD	Pyramid 2	EPM 25154	Drummond Basin	100%	MGS	Granted
QLD	Yarrol	EPM 8402	Monto	89.48%	MGTM	Granted
QLD	Mt Steadman	EPM 12834	Gayndah	89.48%	MGTM	Granted
QLD	Gooroolba	EPM 15426	Gayndah	89.48%	MGTM	Granted

Abbreviations	
EPMA	Exploration Permit for Minerals Application
EPM	Exploration Permit for Minerals
MLA	Mining Lease Application
ML	Mining Lease
MGS	MGT Resources Limited
MGTM	MGT Mining Limited, an unlisted Australian public company
QLD	Queensland, Australia

DIRECTORS' REPORT

The Directors of Avira Energy Limited submit herewith the annual financial report of the company for the financial year ended 30 June 2017. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

DIRECTORS

The names of the Directors in office at any time during or since the end of the financial year are:

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

PRINCIPAL ACTIVITIES

The principal activities of the company and its consolidated entities during the financial year included exploration and evaluation activities. There were no significant changes in the nature of the principal activities during the year.

DIVIDENDS

There were no dividends paid or declared by the consolidated entity during the financial year.

REVIEW OF OPERATIONS

A complete operating review can be found in Operations Report pages 4 to 13.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

Additional share issuance

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

Additional convertible note issued

On 14 September 2016, Avira Energy Limited entered into an agreement with Joseph Capital (Hong Kong) Limited to issue one unsecured convertible note ('Note') with an aggregate face value of $500,000. The Note bears simple interest of 6% per annum payable quarterly in arrears.

One of the conditions of the Note was that it would automatically convert into 15,151,515 fully paid ordinary shares at $0.033 per share on the date that Avira Energy Limited announced on the Australian Stock Exchagne 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). On 3 April 2017, Avira Energy Limited announced that the Manyingee transaction would not be proceeding and hence the Note will not automatically convert and instead is redeemable by Joseph Capital (Hong Kong) Limited on 19 October 2017.

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 Energy Limited ordinary shares held by Avira Energy Limited, to Joseph Capital (Hong Kong) Limited or its nominee. This is subject to shareholder approval at a general meeting to be held on 26 September 2017 (see Subsequent Event Note).

Joint venture agreement for uranium mining did not proceed

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 was to acquire a 30% initial interest in Manyingee for US$10 million cash and was to form a Joint Venture over the project with Paladin Energy Limited (Manyingee JV).

Whilst Avira Energy Limited received regulatory and shareholder approval, it was not able to satisfy the financing conditions within the timeframe set out in the Sale of Tenement Agreement.

The environment for new uranium projects in Western Australia is challenging, not least due to political factors and consequently, investors who were previously committed to support Avira Energy Limited's capital raising withdrew their support.

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. 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, Armstong 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. As the Manyingee transaction did not go ahead, the convertible note matures on 11 November 2017.

The interest rate on the Armstrong Industries HK Limited convertible note 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.

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.

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.

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.

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.

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.

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 $0.01 and the number of Marvel Network Limited options have been adjusted to 3,636,364 options exercisable at $0.01 each.

On 22 June 2017, Armstrong Industries HK Limited signed a Termination Deed and a Subscription Agreement, which is subject to shareholder approval, relating to Preference Shares agreeing to the following terms, subject to shareholder and regulatory approval:

- The Armstrong $1,500,000 Convertible Notes due for redemption on 11 November 2017 plus interest due and payable thereunder will be converted into preference shares on a dollar for dollar basis at a conversion price of $0.19 per preference share.

- Preference shares are to be issued in the same class and on the same terms as those already on issue to Cloud Adventurer Limited and Marvel Network Limited, namely:

    - Holders of preference shares rank equally with holders of fully paid ordinary shareholders in respect of dividends. Preference shareholders will have no voting rights at general meetings other than on matters relating to the modification of the rights attaching to the preference shares or matters requiring the consent of preference holders.

    - On a return of capital on liquidation of Avira Energy Limited, the preference shareholders will have the right to be paid in priority to any return of assets in respect of any other class of shares.

    - The preference holders have the right to convert all or some of the preference shares into ordinary shares at any time before the redemption of the preference shares, on a one for one basis.

    - Any unconverted preference shares may be redeemed by Avira Energy Limited at its sole discretion and

- Avira Energy Limited has the right to convert all of the preference shares into ordinary shares at any time after 16 September 2021.

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

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, Rui Zhang was appointed a Non-Executive Director.

Issue of MGT Mining Limited $1,800,000 conditional secured converting note to Niflheim Resources Pte Ltd
On 24 March 2017, MGT Mining Limited entered into a $1,800,000 conditional secured converting note ('Note') and option agreement with Niflheim Resources Pte Ltd (a Company located in Singapore) under the following terms:

- The Note automatically converts into MGT Mining Limited fully paid ordinary shares upon MGT Mining Limited shareholder approval under s.611 item 7 of the Corporations Act. The total number of MGT Mining Limited shares issuable is equal to 75% of MGT Mining Limited's shares on issue;

- MGT Mining Limited will issue 70,000,000 options for no additional consideration to Niflheim Resources Pte Ltd exercisable at $0.00561 per share within five years;

- The Note bears interest until it converts into shares at a rate of 10% per annum for the first two calendar months from the issue date and 15% per annum on and from the third calendar month from the issue date.

- MGT Mining Limited must pay $100,000 to Avira Energy Limited under the existing intercompany loan agreement ('Loan') and subsequently procure forgiveness of the substantial majority of the Loan by Avira Energy Limited, with only $850,000 remaining, which is due and payable within 90 days of the date of MGT Mining Limited shareholder approval of the Niflheim Resources Pte Ltd $1,800,000 conditional secured converting note and option agreement. The $850,000 remaining Loan to Avira Energy Limited can be repaid in cash or through the transfer of MGT Mining Limited's gold assets to Avira Energy Limited following any necessary shareholder approval, if required. No interest is payable on the intercompany loan following its reduction to $850,000. The Loan is fully provided for in the accounts of Avira Energy Limited.

- The Note is secured against all of MGT Mining Limited's present and after-acquired assets, rights, interests and undertakings.

On 28 June 2017, MGT Mining Limited shareholders did not approve the conversion of the Niflheim Resources Pte Ltd $1,800,000 conditional secured converting note into MGT Mining Limited shares issuable is equal to 75% of MGT Mining Limited's shares on issue.

On 28 June 2017, Niflheim Resources Pte Ltd signed an extension letter approving the extension of the expiry date of the $1,800,000 conditional secured converting note to 31 July 2017. This was further extended to 15 August 2017 and then further to the 22 August 2017. On 22 August 2017, Niflheim Resources Pte Ltd entered into a deed of termination over the $1,800,000 conditional secured converting note and a transfer agreement (see Subsequent Event Note).

<u>Repayment of the $1,500,000 Taimetco International Co., Limited secured loan plus interest</u>
Using the funds received from Niflheim Resources Pte Ltd, MGT Mining Limited repaid in full, the $1,500,000 Taimetco International Co., Limited, secured loan plus interest on 6 April 2017.

Following this, the security over the MGT Mining Limited assets held by Taimetco International Co., Limited were released.

<u>Avira Energy Limited's $200,000 secured loan with Niflheim Resources Pte Ltd</u>
On 17 May 2017, Avira Energy Limited signed a $200,000 secured loan agreement with Niflheim Resources Pty Ltd, secured against the 95,638,256 shares that Avira Energy Limited holds in MGT Mining Limited.

The secured loan expires within 3 months of issue, on 17 August 2017. There is no interest payable on the secured loan. Niflheim Resources Pty Ltd agreed to extend the expiry date of the secured loan on 14 August 2017 to 22 August 2017 and again on the 22 August 2017 to the 30 October 2017.

EVENTS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

On 2 August 2017, Hong Kong Jingaofengda Business Co., Limited signed a placement agreement with Avira Energy Limited for $100,000 and was issued with 7,200,000 ordinary shares.

<u>Niflheim Resources Pte Ltd</u>
On 31 July 2017 Niflheim Resources Pte Ltd signed an extension letter approving the extension of the expiry date of the $1,800,000 conditional secured converting note to 15 August 2017. On 14 August 2017, Niflheim Resources Pte Ltd signed an extension letter approving the extension of the expiry date of the $1,800,000 conditional secured converting note to 22 August 2017.

On 14 August 2017, Niflheim Resources Pte Ltd signed an extension letter approving the extension of the expiry date of the $200,000 secured loan with Avira Energy Limited to 22 August 2017. This was again extended on 22 August 2017 to 30 October 2017.

On 22 August 2017 MGT Mining Limited entered into a termination deed with Niflheim Resources Pte Ltd whereby the $1,800,000 conditional secured converting note and all interest and fees payable will be extinguished via the transfer of tin assets and property, plant and equipment of MGT Mining Limited to an associated entity of Niflheim Resources Pte Ltd, MGT Minerals Pty Ltd. A Transfer Agreement between MGT Mining Limited and MGT Minerals Pty Ltd has been entered into to faciliate this.

Tin Assets to be transferred to MGT Minerals Pty Ltd:

- Summer Hill – ML 20547
- Mount Veteran – ML 4349
- Heads & Tails – ML 20655
- Nymbool – EPM 16948
- Nymbool West – EPM 25690
- Nymbool Extended – 25347
- Nanyetta – EPM 25433
- Fuzzy Hill – EPM 25716

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 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 described above.

The above transaction is subject to all necessary approvals required under the Corporations Act or any other law. It is also subject to a notice in writing by or on behalf of the Treasurer of the Commonwealth of Australia stating that the Commonwealth Government does not object to the proposed transfer of assets either unconditionally or on terms reasonably accetable to MGT Minerals Pty Ltd.

Lines of credit
On 1 September 2017, Avira Energy 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 Energy Limited to repay any drawn down funds at any time during the availability period. There are no interest costs associated with the facilities.

The lines of credit were drawn down by $15,000 each prior to the signing of this annual report.

Avira Energy Limited general meeting
On 26 September 2017 following the general meeting, Armstrong Industries HK Limited converted the $1,500,000 convertible note (see Note 14) plus interest due and payable thereunder into 8,839,835 preference shares on a dollar for dollar basis at the conversion price of $0.19 per preference shares.

On 26 September 2017 following the general meeting, shareholders approved the termination of the Joseph Capital (Hong Kong) Limited $500,000 convertible note (see Note 14) and all remaining interest due and payable via the transfer of 16,949,176 Cauldron Energy Limited ordinary shares held by Avira Energy Limited, to Joseph Capital (Hong Kong) Limited or its nominee.

LIKELY FUTURE DEVELOPMENTS

Disclosure of information regarding the likely developments in the operations of the consolidated entity in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the consolidated entity. Accordingly, this information has not been disclosed in this report.

ENVIRONMENTAL REGULATIONS

The operations and proposed activities of the consolidated entity are subject to laws and regulations concerning the environment. As with most exploration projects and mining operations, the consolidated entity's activities are expected to have an impact on the environment. It is the consolidated entity's intention to conduct its activities to the required standard of environmental obligation, including compliance with all applicable environmental laws. Mining operations may have previously been conducted on some of the Company's project areas and old workings including tailings dumps may remain from these operations. There may be a liability to rehabilitate these areas, details in relation to the abandonment and restoration obligation are included in Note 1 (o) of the Notes to the financial statements.

INDEMNIFICATION OF OFFICERS AND AUDITORS

The company has insured all the Directors of MGT Resources and its controlled entities against liabilities incurred while performing duties as Directors or Officers to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits the disclosure of the nature of the liabilities covered and amount the amount of the premium paid. The consolidated entity has not indemnified its auditor.

INFORMATION ON DIRECTORS AND SENIOR MANAGEMENT:

Mr Jonathan Paul Back (LLB, BCL) – Executive Chairman

Mr Jonathan Back is a qualified solicitor in England and Wales. Prior to working as a lawyer, Jonathan graduated from Oxford University and was awarded the Vinerian Scholarship for the best performance in the Bachelor of Civil Laws degree.

Jonathan has over 18 years of experience in law and finance internationally, having spent significant periods in Europe, Hong Kong and Australia.

Jonathan first worked as a lawyer for the leading UK firm Linklaters for 4 years, specialising in large project finance transactions. This included the acquisition of the Gladstone Power Station in Queensland by a consortium expanding the Boyne Island aluminium smelter. Jonathan then worked for Schroders in the UK and in Hong Kong where he also focused on large infrastructure and energy projects including large power station projects in Portugal and the UK as well as port and energy projects across Australia and Asia.

Following this Jonathan worked with Goldman Sachs in Hong Kong focusing on raising equity capital for telecoms and technology companies. Jonathan was then recruited by JPMorgan to join their equity team in Hong Kong, which he ran until 2007. During this time he worked on numerous transactions across different industries.

Mr Gary Kuo – Executive Director and Managing Director

With more than 10 years' experience in international import & exporting, Mr Gary Kuo has extensive experience in commodities trading, international business development and strategic alliance planning.

Having bases in both Australia and China, Gary specialises in dealing with corporations in the mining & producing sector. Gary works closely with his wide network of corporate and governmental contacts in countries such as China, Taiwan, Hong Kong, Singapore, Malaysia and Indonesia.

Mr Christopher Chen – Executive Director and Chief Operating Officer

Mr Christopher Chen has a M.A in Administration from Central Queensland University. He worked for Otis Elevator Company, Tianjin, China, as Project Coordinator in 2002 and was sent to Egypt to work for Electricity de France (EDF) on their Suez Canal and the Port Said Power Plants. He returned to Australia in 2006 and was working as Business Banking Associate for Commonwealth Bank Australia (CBA). Chris left CBA in 2009 and has been involved in commodity trading and Financial Services to small and medium size companies in the resource sector and is now based in Beijing, China.

Dr Wenshan Zhang – Non- Executive Director

Dr Wenshan Zhang holds a Post-Doctoral Degree in Geological Science from the Institute of Geological Science and Environmental Engineering, Central South University (CSU), Hunan Province, China. He has conducted Post-Doctoral Research in Metallurgical Engineering and Geological Engineering at CSU. He is presently a Professor of Geology and Mineral Exploration at CSU.

Prior to this, Dr Zhang was President of Donia Resources Co., Limited, Beijing, China where he was responsible for exploration of overseas operations in Canada, Laos and Ethiopia from 2010-2013. From 2005 to 2009 he was Senior Geologist and Manager of the Business Development Department, Vale, Shanghai, China where he was responsible for technical support of iron ore and coal projects. He has also worked as a Senior Geologist for Anglo American Group, Beijing, China from 2002-2005 evaluating Ni-Cu sulphide mineral projects and other base metals.

Mr Rui Zhang – Non- Executive Director

Mr. Zhang possesses 12 years of global experience in natural resources exploration, development, mergers and acquisitions. He graduated from Peking University with a Dual Bachelor degree in Geological Sciences and Economics. He has also completed a Master of Science in Economic Geology & Exploration Geochemistry from Queen's University in Canada.

Mr Zhang has over ten years of experience working on Uranium related projects including being the Departmental Director of Project Generation and Asset Management of Uranium Resources Development Ltd of China General Nuclear Power Corporation (CGNPC), a Chinese state owned enterprise. During this period, Mr Zhang spent two years as Technical Director of its Australian subsidiary, Energy Metals Limited (ASX:EME).

Since 2014, he has worked as Executive President of Zhaojin Resources Investment Co. Ltd, based in Beijing, establishing several dedicated natural resources private equity funds with Chinese domestic and international partners with fund sizes ranging between US$20 million to 6 billion RMB.

As a member of the American Institute of Professional Geologists and the Australian Institute of Geoscientists, Mr Zhang is a Qualified Person for signing off NI 43-101 and JORC compliant technical reports for certain types of deposits including Uranium.

Ms Jacqueline Butler – Chief Financial Officer and Company Secretary

Ms Jacqueline Butler qualified as a Chartered Accountant with the Institute of Chartered Accountant, England and Wales (ICAEW) whilst working and training at Arthur Andersen in London. Prior to that Jacqueline graduated from the University of Exeter, UK with a Bachelor of Arts in Economics and Geography.

Jacqueline has worked within the UK and Europe in various financial roles before coming to Australia in 2005. Prior to joining MGT, Jacqueline was an Associate Director at Chartered Accounting firm, Azure Group Pty Ltd, in Sydney where she acted as CFO for a variety of clients including those in the resource sector.

DIRECTORS' MEETINGS

The following table sets out the number of directors' meetings held during the financial year and the number of meetings attended by each director (while they were a director).

Directors	Directors' meetings eligible to attend	Attended
Jonathan Paul Back	10	10
Gary Kuo	10	10
Wenshan Zhang	10	9
Christopher Chen	10	9
Rui Zhang	6	5
Hai Jun Li	4	3

REMUNERATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

Information about the remuneration of directors and key management personnel are set out in the following tables.

Details of key management personnel

The directors and other members of key management personnel of the Group during the year were:

Name	Position	Date
Jonathan Back	Executive Chairman Non-Executive Director	Appointed 1 February 2010 Appointed 4 September 2008
Gary Kuo	Executive Director Managing Director	Appointed 7 January 2011 Appointed 1 February 2016
Christopher Chen	Executive Director Chief Operating Officer Non-Executive Director	Appointed 1 February 2016 Appointed 1 February 2016 Appointed 8 April 2015
Wenshan Zhang	Non-Executive Director	Appointed 8 April 2015
Rui Zhang	Non-Executive Director	Appointed 6 December 2016
Hai Jun Li	Non-Executive Director	Appointed 14 April 2009, Resigned 30 November 2016
Jacqueline Butler	Chief Financial Officer Company Secretary	Appointed 1 August 2011 Appointed 14 August 2014

(a) Key management personnel compensation

2017	Short-term employee benefit	Post-employment benefit		Long-term benefits	Share-based payments	
	Cash salary and fees $	Superannuation $	Termination benefit $	Long Service Leave $	Options $	Total $
Executive Directors						
Jonathan Back	48,000	-	-	-	-	48,000
Gary Kuo	51,520	4,256	-	-	-	55,776
Christopher Chen	51,520	4,256	-	-	-	55,776
	151,040	8,512	-	-	-	159,552
Hai Jun Li (i)	10,664	-	-	-	-	10,664
Wenshan Zhang	11,667	-	-	-	-	11,667
Rui Zhang	-	-	-	-	-	-
	22,331	-	-	-	-	22,331
Other key management personnel						
Jacqueline Butler	186,792	17,745	-	-	-	204,537
	186,792	17,745	-	-	-	204,537
Total	360,163	26,257	-	-	-	386,420

(i) Hai Jun Li resigned on 30 November 2016.

2016	Short-term employee benefit	Post-employment benefit		Long-term benefits	Share-based payments	
	Cash salary and fees	Superannuation	Termination benefit	Long Service Leave	Options	Total
	$	$	$	$	$	$
Executive Directors						
Jonathan Back (i)	144,000	-	-	-	-	144,000
Gary Kuo	110,400	9,120	-	-	-	119,520
Christopher Chen (iv)	64,667	3,800	-	-	-	68,467
	319,067	12,920	-	-	-	331,987
Non-Executive Directors						
Hai Jun Li (ii)	32,000	-	-	-	-	32,000
Wenshan Zhang (iii)	35,000	-	-	-	-	35,000
	67,000	-	-	-	-	67,000
Other key management personnel						
Jacqueline Butler (v)	173,223	16,456	-	-	4,221	193,900
	173,223	16,456	-	-	4,221	193,900
Total	559,290	29,376	-	-	4,221	592,887

(ii) Of the $144,000 in fees earned by Jonathan Back, $24,000 remain accrued as at 30 June 2017.
(iii) Of the $32,000 in fees earned by Hai Jun Li, $5,333 remain accrued as at 30 June 2017.
(iv) Of the $35,000 in fees earned by Wenshan Zhang, $8,750 remain accrued as at 30 June 2016.
(v) Christopher Chen became Chief Operating Officer and an employee on 1 February 2016. Prior to that he earnt fees as a Non-Executive Director. Superannuation only applies to his wages earnt from 1 Februrary 2016 onwards.
(vi) Share based payment of $4,221 relates to Options granted in 2013 which vested on 17 December 2015.

(b) Executive contracts

Remuneration arrangements for Key Management Personnel are formalised in employment agreements or service contracts. The key terms of the executive's agreements/contracts are:

Name	Contract duration	Notice period from Company	Notice period from the employee/contractor
Executive Directors			
Jonathan Back	Rolling service contract	1 month	1 month
Gary Kuo	Ongoing employment contract	1 month	1 month
Christopher Chen	Ongoing employment contract	1 month	1 month
Non-Executive Directors			
Wenshan Zhang	No fixed term	N/A	N/A
Rui Zhang	No fixed term	N/A	N/A
Other key management personnel			
Jacqueline Butler	Ongoing employment contract	1 month	1 month

(c) Share-based compensation

(i) Issue of shares

There were no shares issued as part of compensation during the year ended 30 June 2017.

(ii) Issue of option

There were no options issued during the year ended 30 June 2017. All remaining options granted to directors and key management personnel in the previous years and their status are set out below:

	Financial year	Number of options granted	Grant date	Fair value per option at grant date	Exercise price	Expiry date	Vesting date	Number of options: Vested during the year	Number of options: Exercised during the year	Number of options: Lapsed during the year
Executive Directors										
Jonathan Back	2014	3,500,000	7 Nov 2013	$0.0288	$0.15	7 Nov 2016	7 Nov 2013	-	-	3,500,000
Gary Kuo	2014	2,500,000	7 Nov 2013	$0.0288	$0.15	7 Nov 2016	7 Nov 2013	-	-	2,500,000
Christopher Chen	2014	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Non-Executive Directors										
Li Hai Jun*	2014	400,000	7 Nov 2013	$0.0288	$0.15	7 Nov 2016	7 Nov 2013	-	-	400,000
Wenshan Zhang	2014	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Rui Zhang	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Other key management personnel										
Jacqueline Butler	2014	400,000	17 Dec 2013	$0.0288	$0.15	17 Dec 2016	17 Dec 2015	-	-	400,000

'* Li Hai Jun resigned as a Non-Executive Director on 30 November 2016.

No ordinary shares of Avira Energy Limited were issued during the year end 30 June 2017 on the exercise of options granted under the Avira Energy Limited's Employee Option Plan. No further shares have been issued since that date.

The movement during the reporing period in the number of options over ordinary shares in the Company held, is shown below:

2017	Balance at the start of the year No.	Granted/ Exercised No.	Expired No.	Balance at the end of the year No.	Vested and exercisable No.	Unvested No.
Executive Directors						
Jonathan Back	3,500,000	-	(3,500,000)	-	-	-
Gary Kuo	2,500,000	-	(2,500,000)	-	-	-
Christopher Chen	-	-	-	-	-	-
Non-Executive Directors						
Li Hai Jun	400,000	-	(400,000)	-	-	-
Wenshan Zhang	-	-	-	-	-	-
Rui Zhang	-	-	-	-	-	-
Other key management personnel						
Jacqueline Butler	400,000	-	(400,000)	-	-	-

2016	Balance at the start of the year No.	Granted/ Exercised No.	Expired No.	Balance at the end of the year No.	Vested and exercisable No.	Unvested No.
Executive Directors						
Jonathan Back	3,500,000	-	-	3,500,000	3,500,000	-
Gary Kuo	2,500,000	-	-	2,500,000	2,500,000	-
Christopher Chen	-	-	-	-	-	-
Non-Executive Directors						
Li Hai Jun	400,000	-	-	400,000	400,000	-
Wenshan Zhang	-	-	-	-	-	-
Other key management personnel						
Jacqueline Butler	400,000	-	-	400,000	400,000	-

(d) Key management personnel equity holdings

Fully paid ordinary shares of Avira Energy Limited

2017	Balance at the start of the year No.	Received during the year on exercise of options No.	10:1 share consolidation	Net other change No.	Balance at the end of the year No.
Executive Directors					
Jonathan Back (Direct)	65,029,727	-	(58,526,754)		6,502,973
Jonathan Back (Indirect)	300,000	-	(270,000)		30,000
Gary Kuo (Direct)	50,000	-	(36,000)	(10,000)	4,000
Gary Kuo (Indirect)	17,878,000	-	(16,090,200)		1,787,800
Christopher Chen (Direct)	3,570,000	-	(3,213,000)	3,300,000	3,657,000
Non-Executive Directors					
Li Hai Jun (Indirect)	18,230,000	-	(16,407,000)	(3,000)	1,820,000
Wenshan Zhang	-	-	-	-	-
Rui Zhang	-	-	-	-	-
Other key management personnel					
Jacqueline Butler	-	-	-	-	-

2016	Balance at the start of the year No.	Received during the year on exercise of options No.	Granted as compensation No.	Net other change No.	Balance at the end of the year No.
Executive Directors					
Jonathan Back (Direct)	66,029,727	-	-	(1,000,000)	65,029,727
Jonathan Back (Indirect)	300,000	-	-	-	300,000
Gary Kuo (Direct)	50,000	-	-	-	50,000
Gary Kuo (Indirect)	19,553,000	-	-	(1,675,000)	17,878,000
Christopher Chen (Direct)	-	-	-	3,570,000	3,570,000
Non-Executive Directors					
Li Hai Jun (Direct)	19,400,000	-	-	(19,400,000)	-
Li Hai Jun (Indirect)	30,000	-	-	18,200,000	18,230,000
Wenshan Zhang	-	-	-	-	-
Other key management personnel					
Jacqueline Butler	-	-	-	-	-

TRADING IN THE COMPANY'S SECURITIES BY DIRECTORS, OFFICERS AND STAFF

Upon listing on the ASX, the Board adopted a share trading policy which applies to all directors, officers and employees of Avira Energy Limited and its subsidiary companies. The policy was set up in order to avoid 'insider trading.' The trading policy restricts employees, directors and officers from trading in AVW securities during certain 'prohibited periods.' A full copy of the policy can be found at www.mgt.net.au.

NON-AUDIT SERVICES

During the year, $15,250 (2016: $11,750 exc GST) of fees were earned by the auditors for non-audit services in relation to taxation compliance.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied for leave of Court to bring proceedings on behalf of the consolidated entity or intervene in any proceedings to which the consolidated entity is a party for the purpose of taking responsibility on behalf of the consolidated entity for all or any part of these proceedings. The consolidated entity was not party to any such proceedings during the year.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration is included on page 30 of the financial report.

This directors' report has been made and signed in accordance with a resolution of the directors made pursuant to s.298(2) of the Corporations Act 2001.

On behalf of the Directors

Jonathan Back
Executive Director
Dated: 28 September 2017

AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001 TO THE DIRECTORS OF AVIRA ENERGY LIMITED AND ITS CONTROLLED ENTITIES

I declare that, to the best of my knowledge and belief during the year ended 30 June 2017 there have been:

— no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

— no contraventions of any applicable code of professional conduct in relation to the audit.

MAZARS RISK AND ASSURANCE PTY LTD

R. Megale

R. Megale
Director

Sydney, on this 28th day of September 2017.

MAZARS RISK & ASSURANCE PTY LIMITED
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EMAIL: email@mazars.com.au

AVIRA ENERGY LIMITED AND ITS CONTROLLED ENTITIES

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 June 2017

	Note	Consolidated 2017 $	Consolidated 2016 $
Continuing operations			
Revenue		-	-
Cost of sales		-	-
Gross loss		-	-
Investment income	3	3,422	12,412
Other gains and losses	4	(71,132)	(291,365)
Employee benefits expense		(365,356)	(411,092)
Depreciation and amortisation expense		(4,782)	(7,695)
Impairment gain/(losses)		14,549	(585,210)
Interest expense		(510,422)	(943,998)
Administration expense		(217,558)	(173,316)
Loss on extinguishment of convertible note liabilities	26	(2,138,182)	-
Other expenses	5	(325,709)	(581,362)
Loss before tax		(3,615,170)	(2,981,627)
Income tax expense/(benefit)	6	-	-
Loss for the period from continuing operations			(2,981,627)
Discontinued operations			
Loss for the year from discontinued operations	7	(1,102,652)	(2,183,508)
Loss for the year		**(4,717,822)**	**(5,165,135)**
Loss for the year is attributable to:			
Owners of the parent		(4,500,074)	(4,837,334)
Non-controlling interest		(217,748)	(327,801)
		(4,717,822)	**(5,165,135)**

The above consolidated income statement should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 June 2017

	Note	Consolidated 2017 $	Consolidated 2016 $
Loss for the period		**(4,717,822)**	**(5,165,135)**
Other comprehensive income/(loss)			
Items that may be reclassified to profit and loss			
Changes in the fair value of available-for-sale financial assets		(541,112)	(512,787)
Total comprehensive loss for the period		**(5,258,934)**	**(5,677,922)**
Total comprehensive loss for the year is attributable to:			
Owners of the parent		(5,041,319)	(5,349,970)
Non-controlling interest		(217,615)	(327,952)
		(5,258,934)	**(5,677,922)**
Loss per share			
From continuing and discontinued operations			
Basic (cents per share)	20	(18.48)	(14.08)
Diluted (cents per share)	20	(8.41)	(10.65)
From continuing operations			
Basic (cents per share)	20	(14.42)	(8.39)
Diluted (cents per share)	20	(6.40)	(5.44)

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

AVIRA ENERGY LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 30 June 2017

	Note	Consolidated 2017 $	Consolidated 2016 $
Current assets			
Cash and cash equivalents	23(a)	138,552	149,060
Other receivables	9	47,963	56,339
Other financial asset	10	576,272	78,000
		762,787	283,399
Assets classified as held for sale	8	2,013,964	-
Total current assets		2,776,751	283,399
Non-current assets			
Other financial assets	10	2,869	1,120,254
Exploration and evaluation expenditure	11	870,421	1,831,345
Plant & equipment	12	7,551	1,539,550
Total non-current assets		880,841	4,491,149
Total assets		3,657,592	4,774,548
Total liabilities			
Trade and other payables	13	235,252	549,544
Unsecured borrowings	14	1,970,397	7,487,596
Secured borrowings	15	200,000	1,500,000
Provisions	16	26,368	100,114
		2,432,017	9,637,254
Secured and non secured liabilities directly associated with assets classified as held for sale	8	2,192,027	-
Total current liabilities		4,624,044	9,637,254
Non-current liabilities			
Provisions	16	47,719	114,509
Total non-current liabilities		47,719	114,509
Total liabilities		4,671,763	9,751,763
Net assets/(liabilities)		**(1,014,171)**	**(4,977,215)**

Equity			
Issued capital	17(a)	26,089,813	19,095,000
Reserves	18	1,164,575	(119,242)
Retained earnings/(losses)	19	(27,440,116)	(23,341,252)
		(185,728)	(4,365,494)
Amounts recognised directly in equity relating to assets classified as held for sale		-	-
Equity attributable to owners of the parent		(185,728)	(4,365,494)
Non-controlling interest		(828,443)	(611,721)
Total equity		**(1,014,171)**	**(4,977,215)**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 June 2017

	Fully paid ordinary shares $	Retained earnings/ (losses) $	Reserves $	Non-controlling interest $	Total $
Balance at 1 July 2016	**19,095,000**	**(23,341,252)**	**(119,242)**	**(611,721)**	**(4,977,215)**
(Loss) for the period	-	(4,500,073)	-	(217,750)	(4,717,822)
Other comprehensive income – revaluation gain	-	-	1,129	133	1,262
Other comprehensive income – revaluation loss	-	-	(542,374)	-	(542,374)
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	-	7,601	(8,496)	895	-
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
Balance at 30 June 2017	**26,089,813**	**(27,440,116)**	**1,164,575**	**(828,443)**	**(1,014,171)**

	Fully paid ordinary shares $	Retained earnings/ (losses) $	Reserves $	Non-controlling interest $	Total $
Balance at 1 July 2015	**14,408,953**	**(18,731,328)**	**608,428**	**(283,769)**	**(3,997,716)**
(Loss) for the period	-	(4,837,334)	-	(327,801)	(5,165,135)
Issue of ordinary shares	4,700,000	-	-	-	4,700,000
Capital raising costs	(13,953)	-	-	-	(13,953)
Other comprehensive income	-	-	(512,636)	(151)	(512,787)
Share options vesting	-	-	12,377	-	12,377
Share options converted	-	43,200	(43,200)	-	-
Contributions of equity, net of transaction costs and tax					
Equity derivative converted	-	184,211	(184,211)	-	-
Transactions with non-controlling interest	-	(1)	-	-	(1)
Balance at 30 June 2016	**19,095,000**	**(23,341,252)**	**(119,242)**	**(611,721)**	**(4,977,215)**

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

AVIRA ENERGY LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 June 2017

	Note	Consolidated 2017 $	Consolidated 2016 $
Cash flows from operating activities			
Payments to suppliers and employees		(1,176,151)	(1,410,578)
Interest received		3,756	10,877
Net cash used in operating activities	23(b)	(1,172,395)	(1,399,701)
Cash flows from investing activities			
Payment for investment in other financial assets	10	-	(2,000,000)
Purchase of property, plant and equipment		-	(9,577)
Proceeds from disposal of property, plant and equipment		10,000	46,319
Payments for exploration costs		(205,204)	(560,856)
Net cash used in investing activities		(195,204)	(2,524,114)
Cash flows from financing activities			
Proceeds from issues of equity securities		1,000,000	1,200,000
Proceeds from borrowings – unsecured		500,000	2,000,000
Proceeds from borrowings - secured		2,000,000	-
Capital raising cost		(5,187)	(13,953)
Repayment of borrowings		(1,500,000)	-
Interest paid		(561,590)	(604,234)
Net cash provided by financing activities		1,433,223	2,581,813
Net (decrease)/increase in cash and cash equivalents		65,624	(1,342,002)
Cash at the beginning of the financial year		**149,060**	**1,491,062**
Cash at the end of the financial year	23(a)	**214,684**	**149,060**

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

1. Summary of significant accounting policies

The financial report is a general purpose financial report which has been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and complies with other requirements of the law.

Accounting Standards include Australian equivalents to International Financial Reporting Standards (‘A-IFRS’). Compliance with A-IFRS ensures that the financial statements and notes of the group comply with international financial reporting standards.

These financial statements are for the consolidated entity consisting of Avira Energy Limited (the Company) and its subsidiaries (the Group).

(a) Basis of preparation

The financial report has been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. Historical cost is generally based on the fair values of the consideration given in exchange for goods and services. All amounts are presented in Australian dollars, unless otherwise noted.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

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 30 June 2016 were also consolidated for consistent presentation of comparative figures. This restatement only affects the amount of reported earnings per share as of 30 June 2016 as follows:

	As previously reported	As restated
Basic earnings per share	(1.41)	(14.1)
Diluted earnings per share	(1.07)	(10.7)
Basic earnings per share		
Net loss	(4,837,334)	(4,837,334)

Weighted average number of ordinary shares for purpose of basic earnings per share	343,623,340	34,362,334
Diluted earnings per share		
Earnings used in the calculation of diluted EPS from continuing operations	($3,995,069)	($3,995,069)
Weighted average number of ordinary shares for purpose of basic earnings per share	375,113,653	37,511,365

Going concern

The 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 30 June 2017 the consolidated entity incurred a net loss after tax of $4,717,822 and cash outflows from operating and investing activities of $1,367,599. In addition net current liabilities amounted to $1,847,293 and net liabilities were $1,014,171 as at 30 June 2017. The secured loan of $200,000 owing by Avira Energy Limited to Niflheim Resources Pte Ltd is due for repayment on 30 October 2017. On 1 September 2017, Avira Energy Limited entered into unsecured lines of credit of $60,000 with Executive Directors.

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 Group's ability to raise additional funds through either debt financing, capital raising arrangements, re-financing options or asset sales.

The Group has a solid history of obtaining support from investors, including in very difficult financial markets. During the period to 30 June 2017, the Directors successfully negotiated a reorganisation of the $6,000,000 of convertible loans owing in August 2016 to Cloud Adventurer Limited and Marvel Network Limited into preference shares and options. The conversion of the $6,000,000 convertible notes into preference shares and options took place following shareholder approval on 16 Septebmer 2016 (see Note 17).

The Group successfully negotiated a reorganisation of the $1,500,000 convertible loans maturing in November 2017 owing to Armstrong Industreis HK Limited into preference shares and the elimination of the $500,000 convertible loan owing to Joseph Capital (Hong Kong) Limited maturing in October 2017 via the transfer of Cauldron Energy Limited Shares held by Avira Energy Limited to Joseph Capital (Hong Kong) Limited or its nominee. Both the Armstrong Industries HK Limited and Joseph Capital (Hong Kong) Limited reconstructions are subject to shareholder approval on 26 September 2017.

Going forward the Group expects to be able to raise additional capital in order to fund strategic objectives. It also anticipates being able to enter into a debt reconstruction with Niflheim Resources Pte Ltd or alternatively to be able to raise additional funds in order to pay back remaining monies owed.

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.

The Group may be unable to realise its assets or discharge its liabilities in the normal course of the business and at the amounts stated in the financial report should the Group not continue as a going concern.

Critical accounting estimates and judgements

The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are:

<u>Estimated useful lives of assets</u>

The estimation of the useful lives of assets has been based on historical experience as well as manufacturers' warranties. In addition, the condition of assets is assessed at least once per year and considered against the remaining useful life. Adjustments to useful lives are made when considered necessary.

<u>Impairment of mine infrastructure and capitalised exploration expenditure</u>

The Group continues to monitor the mine infrastructure and capitalised exploration expenditure for indicators of impairment by comparing the assets' carrying value to their estimated fair values. The fair values are determined by independent professional valuers using recognised valuation techniques, including the yield method and the discounted cash flow method. The determination of the fair values require the use of estimates such as future cash flows from the assets and discount rates applicable to those assets. The estimates are based on local market conditions existing as at the reporting date. Refer to Note11.

<u>Provision for repair and maintenance</u>

A provision has been recognised for repair and maintenance work required to the tailings storage facility at the Mount Garnet site in order to comply with environmental laws. The provision has been based on management's best estimate. Once work commences, the timing and extent of work required may result in actual expenditure differing from the amounts currently provided. Refer to Note 16.

<u>Allowance for amounts due from subsidiary</u>

The provision policy for doubtful debts of the Group is based on the ageing analysis and management's continuous evaluation of the recoverability of the outstanding receivables. In assessing the ultimate realisation of these receivables, management considers, among other factors, the creditworthiness and the past collection history of the subsidiary. If the financial conditions of the subsidiary were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

<u>Fair value of convertible notes</u>

Convertible notes are measured at fair value at the initial recognition. Fair value is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the measurement date. In respect of the liability component of convertible bonds, the market rate of interest is determined with reference to similar liabilities that do not have a conversion option.

Fair value of financial instruments

Where the fair values of financial instruments recorded on the statement of financial position cannot be derived from active markets, they are determined using valuation techniques, including the discounted cash flow model. The inputs to these models are derived from observable market data where possible, but where this is not feasible, a degree of judgment is required in establishing the fair values. The judgments include considerations of liquidity and model inputs regarding the future financial performance of the investee, its risk profile, and economic assumptions regarding the industry and geographical jurisdiction in which the investee operates. Changes in assumptions about these factors could affect the reported fair value of financial instruments. The valuation of financial instruments is described in more details in Note 14.

(b) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Avira Energy Limited (''company'' or ''parent entity'') as at 30 June 2017 and entities controlled by the company for the year then ended. Avira Energy Limited and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

Subsidiaries are all entities over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The Group applies a policy of treating transactions with non-controlling interests as transactions with parties external to the Group. Disposals to non-controlling interests result in gains and losses for the Group that are recorded in the statement of comprehensive income. Purchases from non-controlling interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of identifiable net assets of the subsidiary.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated income statement, statement of comprehensive income, statement of changes in equity and statement of financial position respectively. Investments in subsidiaries are accounted for at cost in the individual financial statements of the Company.

(c) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the

Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Interest income
Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

(d) Income tax

Current tax
Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax
Deferred tax is accounted for using the balance sheet liability method. Temporary differences are differences between the tax base of an asset or liability and its carrying amount in the balance sheet. The tax base of an asset or liability is the amount attributed to that asset or liability for tax purposes.

In principle, deferred tax liabilities are recognised for all taxable temporary differences.

Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from the initial recognition of goodwill.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax for the period
Current and deferred tax is recognised as an expense or income in the income statement, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

(e) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash, which are subject to an insignificant risk of changes in value and have a maturity of three months or less at the date of acquisition.

(f) Financial assets

Investments are recognised and derecognised on trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs except for those financial assets classified as at fair value through profit or loss which are initially measured at fair value.

Subsequent to initial recognition, investments in subsidiaries are measured at cost in the company financial statements.

Other financial assets are classified into the following specified categories: financial assets ‘at fair value through profit or loss’, ‘held-to-maturity investments’, ‘available-for-sale’ financial assets, and ‘loans and receivables’. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Available-for-sale financial assets
Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of the investment within 12 months of the end of the reporting period. Investments are designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long term.

Loans and receivables
Trade receivables, loans and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting period which are classified as non-current assets.

Measurement
At initial recognition, the group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Loans and receivables are subsequently carried at amortised cost using the effective interest method. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value.

Impairment of financial assets
The group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a ‘loss event’) and that loss event (or events) has an impact on the estimated future cash

flows of the financial asset or group of financial assets that can be reliably estimated. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired.

Assets carried at amortised cost
For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

Assets classified as available-for-sale
If there is objective evidence of impairment for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. Impairment losses on equity instruments that were recognised in profit or loss are not reversed through profit or loss in a subsequent period. If the fair value of a debt instrument classified as available-for-sale increases in a subsequent period and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss.

(g) Financial liabilities

Compound instruments
The component parts of compound instruments (convertible notes) issued by the Group are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. Management and the Directors have assessed the terms and conditions of the convertible notes and have determined the conversion options are equity derivatives.

Conversion options that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recognised as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date (Refer to Note 14).

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognised in equity will be transferred to share capital. Where the conversion option remains unexercised at the maturity date of the convertible note, the balance recognised in equity will be transferred to retained earnings. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

(h) Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to the income statement during the reporting period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost or re-valued amounts, net of their residual values, over their estimated useful lives. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period, which the effect of any changes recognised on a prospective basis.

The following useful lives are used in the calculation of depreciation:

-Office equipment	3 – 10 years
-Mine infrastructure	20 years
-Motor Vehicle	5 – 8 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Refer to Note 1(j))

(i) Leases

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the leased asset to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are initially recognised at their fair value or, if lower, at amounts equal to the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs. Contingent rentals are recognised as expenses in the periods in which they are incurred.

Finance leased assets are amortised on a straight-line basis over the estimated useful life of the asset. Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

(j) Impairment of tangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(k) Exploration and evaluation of assets

Exploration and evaluation expenditure in relation to each separate area of interest are recognised as an exploration asset in the year in which they are incurred where the following conditions are satisfied:

(i) The rights to tenure of the area of interest are current; and

(ii) At least one of the following conditions is also met:

(a) the exploration and evaluation expenditures are expected to be recouped through successful development and exploitation of the area of interest, or alternatively, by its sale; and

(b) Exploration and evaluation activities in the area of interest have not at the reporting date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the areas of interest are continuing.

Exploration and evaluation assets are initially measured at cost and include acquisition rights to explore, topographical, geological, geochemical and geophysical studies, exploratory drilling, trenching, sampling and activities in relation to evaluating the technical feasibility and commercial viability of extracting a mineral resource. General and administrative costs are allocated to, and included in, the cost of an exploration and evaluation asset, but only to the extent that those costs can be related directly to operational activities in the area of interest to which the exploration and evaluation asset relates. (Refer to Note 1(j)).

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation of asset may exceed its recoverable amount.

(l) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(m) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

The fair value of the liability portion of a convertible bond is determined using a market interest rate for an equivalent non-convertible bond. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the bonds. The remainder of the proceeds is allocated to the conversion option. This is recognised and included in shareholders' equity, net of income tax effects.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Where the terms of a financial liability are renegotiated and the entity issues equity instruments to a creditor to extinguish all or part of the liability (debt for equity swap), a gain or loss is recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

(n) Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a first-in-first-out basis. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

(o) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Site Restoration
A provision for restoration and rehabilitation is recognised when there is a present obligation as a result of exploration and development activities undertaken, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the provision can be measured reliably. The Group records the estimated cost of legal and constructive obligations to restore operating locations in the period in which the obligation is incurred. The nature of restoration activities includes dismantling and removing structures, dismantling operating facilities, closure of plant and restoration, reclamation and revegetation of affected areas.

Additional disturbances or changes in rehabilitation costs will be recognised as additions or changes to the corresponding asset and rehabilitation liability when incurred.

The provision for future restoration costs is the best estimate of the expenditure required to settle the restoration obligation at the reporting date based on current legal and other requirements and technology. When the liability is initially recorded, the estimated cost is capitalised by increasing the carrying amount of the related mining assets. The carrying amount capitalised is amortised over the life of the related asset.

(p) Employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave, and sick leave when it is probable that settlement will be required and they are capable of being measured reliably.

Liabilities recognised in respect of employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities recognised in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to reporting date.

Termination benefit

A liability for a termination benefit is recognised at the earlier of when the entity can no longer withdraw the offer of the termination benefit and when the entity recognises any related restructuring costs.

(q) Share-based payments arrangements

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 26.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

(r) Contributed equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

If the entity reacquires its own equity instruments, for example as the result of a share buy-back, those instruments are deducted from equity and the associated shares are cancelled. No gain or loss is recognised in the profit or loss and the consideration paid including any directly attributable incremental costs (net of income taxes) is recognised directly in equity.

(s) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

(i) Where the amount of GST incurred is not recoverable from the taxation authority. It is recognised as part of the cost of acquisition of an asset or as part of an item of expense. Or

(ii) For receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

All cash outflows in respect of GST, including payments to suppliers and employees, payments for exploration and evaluation, property, plant and equipment, and payments for exploration inventory are included in payments to suppliers and employees from operation activities.

All cash inflows in respect of GST, including receipts from customers and receipts of GST paid by the company and subsequently refunded by taxation authorities are included in receipts from customers from operating activities.

All cash flows from investing activities and from financing activities are net of GST as all associated GST cash flows are included in operating activities.

(t) New accounting standards and interpretations

The accounting policies adopted are consistent with those of the previous financial years except the following which the Group adopted from 1 July 2016:

- AASB 2016-3 Amendments to Australian Accounting Standards arising from Withdrawal of AASB 1031 Materiality
- AASB 2014-4 Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation
- AASB 2015-1 Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle
- AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101

The adoption of this standard did not have any impact on the current period or any prior period and is not likely to affect future periods

(u) New accounting standards and interpretations issued but not yet effective

At the date of authorisation of the financial statements, the Standards and Interpretations listed below were in issue but not yet effective.

Standard/Interpretation	**Effective date (annual periods beginning on or after)**	**Expected to be initially applied in the financial year ending**
AASB 9 Financial Instruments and the relevant amending standards	1 January 2018	30 June 2019
AASB 15 Revenue from Contracts with Customers, AASB 2014-5, Amendments to Australian Accounting Standards arising from AASB 15 and AASB 2016-8 Amendments to Australian Accounting Standards – Effective date of AASB 15	1 January 2019	30 June 2019
AASB 16 Leases	1 January 2019	30 June 2020
AASB 2016-1 Amendments to Australian Accounting Standards – Recognition Deferred Tax Assets for Unrealised Losses	1 January 2017	30 June 2018
AASB 2016-5 Amendments to Australia Accounting Standards – Classification and Measurement of Share-based Payment Transactions	1 January 2018	30 June 2019
AASB 2017-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107	1 January 2017	30 June 2018

AASB 2017-1 - Amendments to Australian Accounting Standards - Transfers of Investment Property, Annual Improvements 2014-2016 Cycle and Other Amendments	1 January 2018	30 June 2019
AASB 2017-4 – Amendments to Australian Accounting Standards – Uncertainty over Income Tax Treatments	1 January 2019	30 June 2020
Interpretation 22 Foreign Currency Transactions and Advance Consideration	1 January 2018	30 June 2019

(v) Comparative figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

Where the Group has retrospectively applied an accounting policy, made a retrospective restatement of items in the financial statements or reclassified items in its financial statements, an additional statement of financial position as at the beginning of the earliest comparative period will be disclosed.

(w) Non-current assets (or disposal groups) and discontinued operations held for sale

Non-current assets (or disposal groups) are classified as held-for-sale when their carrying amount will be recovered principally through a sale transaction rather than through continuing use and the sale is highly probable with the asset (or disposal group) being available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to be completed within one year from the date of classification.

They are measured at the lower of the carrying amount and fair value less costs to sell. Any impairment loss on initial classification and subsequent measurement is recognised as an expense. Any subsequent increase in fair value less costs to sell (not exceeding the accumulated impairment loss that has been previously recognised) is recognised in profit or loss.

A discontinued operation is a component of an entity that either has been disposed of, or is classified as held for sale, and

(i) represents a separate major line of business or geographical area of operations;
(ii) is part of a single co-ordinated plan to dispose of a separate major line or geographical area of operations; or
(iii) is a subsidiary acquired exclusively with a view to resale.

2. Financial risk management

The Group's activities expose it to a variety of financial risks: market risk, credit risk, currency risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effect on the financial performance of the Group.

The Group hold the following financial instruments:

	Consolidated 2017 $	Consolidated 2016 $
Financial assets		
Cash and cash equivalents	214,684	149,060
Other receivables	47,963	56,339
Fair-value-through profit or loss financial asset	-	78,000
Available-for-sale financial asset	579,142	1,120,254
	841,789	1,403,653

	Consolidated 2017 $	Consolidated 2016 $
Financial liabilities		
Trade and other payables	235,252	549,544
Unsecured borrowings (Note 14)	1,970,397	7,487,596
Secured loan associated with non-current asset held for sale (Note 8, 15)	1,800,000	1,500,000
Secured borrowings (Note 15)	200,000	-
	4,205,649	9,537,140

(a) Market risk

i. Foreign exchange risk

Group sensitivity – foreign exchange risk

The consolidated entity has no foreign currency exposure risk as at reporting date.

ii. Price risk

The Group is exposed to equity securities price risk. This arises from investments held by the Group and classified on the balance sheet either as available-for-sale or at fair value through profit or loss. The Group is not exposed to commodity price risk as at reporting date.

The majority of the group's equity investments are publicly traded on the Australian Stock Exchange.

iii. Interest rate risk

The Group's exposure to interest rate risk is summarised in the table below:

	Weighted average effective interest rate	Non interest bearing	Floating interest	Fixed interest rate	Total
	2017 %	**2017 $**	**2017 $**	**2017 $**	**2017 $**
Financial assets					
Bank	1.6%	9,461	129,091	76,132	**214,684**
Financial liabilities					
Borrowings	11.3%	200,000	-	1,970,397	**2,170,397**

	Weighted average effective interest rate	Non interest bearing	Floating interest	Fixed interest rate	Total
	2016 **%**	**2016** **$**	**2016** **$**	**2016** **$**	**2016** **$**
Financial assets					
Bank	3.7%	9,988	62,940	76,132	**149,060**
Financial liabilities					
Borrowings	15.4%	-	-	8,987,596	**8,987,596**

Group sensitivity – interest rate risk

The Group has no material exposure to likely interest rate movements.

(b) Credit risk

Credit risk is managed on a group basis and reviewed regularly. Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, including outstanding receivables and committed transactions. As at 30 June 2017 there were no trade receivable balances.

Credit risk from balances with banks and financial institutions is regularly monitored and reviewed by The Board. No material exposure is considered to exist as the Group's policy is to invest its cash and cash equivalents with financial institutions having a credit rating of at least AAA.

	Consolidated 2017 $	Consolidated 2016 $
Cash and bank balances:		
- Continuing operations	138,552	149,060
- Discontinued operations (Note 8)	76,132	-
	214,684	149,060

(c) Foreign currency risk

During the period and prior period, the Group was not exposed to any foreign currency risk.

(d) Liquidity risk

Liquidity risk arises from the possibility that there will be sufficient funds available to make payment as and when required. The Group manages liquidity risk by continuously monitoring forecast and actual cash flows.

The Group is party to convertible note agreements that expire in the second quarter of the 2018 financial year. At a general meeting held on 26 September 2017, shareholders approved the conversion of the $1,500,000 Armstrong Industries HK Limited convertible note into preference shares, and the elimination of the $500,000 Joseph Capital (Hong Kong) Limited convertible note via the transfer of Cauldron Energy Limited shares held by Avira Energy Limited to Joseph Capital (Hong Kong) Limited or its nominee. Avira Energy Limited also has a secured loan of $200,000 owing to Niflheim Resources Pte Ltd which is due and owing on 30 October 2017. 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 consolidated entity's ability to raise additional funds through either debt financing or capital raising arrangements or through debt restructuring solutions. The Directors are actively pursuing all options in relation to raising funds and capital reconstruction options, in order to continue as a going concern.

On 1 September 2017, Avira Energy Limited entered into unsecured lines of credit of $60,000 with Executive Directors.

Maturities of financial liabilities

The tables below analyses the Group's and the parent entity's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

30 June 2017	Less than 6 months $	6-12 months $	Between 1 & 2 years $	Between 2 & 5 years $	Over 5 years $	Total $
Non interest bearing						
Trade and other payables	49,560	3,644	-	-	-	**53,204**
Borrowings - secured	200,000	-	-	-	-	**200,000**
Fixed rate						
Insurance funding	587	-	-	-	-	**587**
Borrowings - unsecured	1,970,397	-	-	-	-	**1,970,397**
Borrowings – included in liabilities associated with assets classified as held for sale	1,800,000	-	-	-	-	**1,800,000**

30 June 2016	Less than 6 months $	6-12 months $	Between 1 & 2 years $	Between 2 & 5 years $	Over 5 years $	Total $
Non interest bearing						
Trade and other payables	75,687	-	-	-	-	**75,687**
Fixed rate						
Insurance funding	9,282	-	-	-	-	**9,282**
Borrowings	-	8,987,596	-	-	-	**8,987,596**

(e) 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 fair value of convertible notes is classified as Level 3 under the accounting standards due to there being one or more unobservable inputs (see Note 14).

	Consolidated 2017 $	Consolidated 2016 $
3. Investment income		
Interest revenue	3,422	12,412
	3,422	12,412

	Consolidated 2017 $	Consolidated 2016 $
4. Other gains and losses		
Loss for the year has been arrived at after crediting the following gains and losses:		
Fuel tax rebate	-	635
Gain/(loss) on disposal of property, plant & equipment	6,868	-
Net loss arising on financial asset classified as fair value through profit or loss	(78,000)	(292,000)
	(71,132)	(291,365)

On 30 March 2016, Avira Energy Limited, purchased 16,949,176 shares and 20,000,000 options in Cauldron Energy Limited (ASX:CXU) for $2,000,000. Avira Energy Limited entered into a converting note worth $2,000,000 with Auskong International Mining Investment Co., Limited to purchase the Cauldron Energy Limited shares and options. The Auskong International Mining Investment Co. Limited converting note converted into 60,606,061 shares in Avira Energy Limited following shareholder approval on 30 June 2016. A fair value adjustment was made of $292,000 to recognise the loss in fair value of Cauldron Energy Limited options between their initial recognition on 30 March 2016 and 30 June 2016. A further fair value adjustment of $78,000 was made on 31 December 2016 upon the options expiring.

	Consolidated 2017 $	Consolidated 2016 $
5. Other expenses		
Vehicle and freight costs	433	635
Travel expense	57,945	35,982
Legal and professional expense	135,394	214,357
Insurance	-	771
Directors fees	70,278	229,661
Other expenses	61,659	99,956
	325,709	581,362

	Consolidated 2017 $	Consolidated 2016 $
6. Income taxes		
Tax expense/(income) comprises:		
Current tax expense/(income) in respect of the current year	-	-

(a) The prima facie income tax expense on pre-tax accounting profit from operations reconciles to the income tax expense in the financial statements as follows:

Loss before income tax	(4,717,822)	(5,165,135)
Income tax expense calculated at 30%	(1,415,347)	(1,549,540)
Effect of amounts that are not deductible (taxable) in determining taxable profit:		
Non-deductible/(taxable) items	827,154	827,229
	(588,193)	(722,311)
Tax losses and temporary difference not recognised	588,193	722,311
	-	-

(b) Unused tax losses for which no deferred tax assets has been recognised	29,464,638	26,686,084
Potential tax benefit at 30%	8,839,391	8,005,825

7. Discontinued operations

7.1 Plan to dispose of the Mount Garnet mine site

As disclosed in the Directors report, the shareholders of MGT Mining Limited did not approve the conversion of the $1,800,000 conditional secured converting note owing to Niflheim Resources Pte Ltd into MGT Mining shares at the general meeting held on 28 June 2017.

On 22 August 2017, Niflheim Resources Pte Ltd signed a deed of termination and a transfer agreement agreeing to extinguish the $1,800,000 conditional secured converting note, via the transfer of the tin tenements and property, plant and equipment held at the Mount Garnet mine, to MGT Minerals Pty Ltd, an associated entity of Niflheim Resources Pte Ltd.

An impairment loss of $172,360 has been recognised in MGT Mining Limited in respect of the transfer of tin assets and property, plant and equipment to Niflheim Resources Pte Ltd to extinguish the $1,800,000 conditional secured converting note.

	Consolidated 2017 $	Consolidated 2016 $
Loss for the year from discontinued operations		
Revenue and other gains	-	-
Expenses:		
Impairment loss on tenements	-	1,807,252
Impairment loss on property, plant and equipment	445,564	-
Depreciation and amortisation	149,917	219,151
Other	334,811	157,105
Loss before tax	930,292	2,183,508
Loss for the year from non-current assets held for sale		
Impairment loss on held for sale assets	172,360	-
Loss for the year from discontinued operations and held for sale assets	1,102,652	2,183,508
Attributable income tax expense	-	-
Post-tax loss for the financial year	1,102,652	2,183,508
Cash flow from discontinued operations		
Net cash outflow from operating activities	(226,812)	(170,967)
Net cash outflow from investing activities	(168,357)	(222,185)
Net cash inflow from financing activities	1,796,383	(4,234)
Net cash inflows	1,401,214	(397,386)

The Mount Garnet Mine site including all tin assets and property, plant and equipment has been classified and accounted for at 30 June 2017 as a disposal group held for sale (see note 8)

8. Assets classified as held for sale

	Consolidated 2017 $	Consolidated 2016 $
Cash at bank	76,132	-
	76,132	-
Tin assets reclassified (Note 11)	1,180,677	-
Tin asset impairment	(96,438)	-
	1,084,239	-
Property, plant and equipment reclassified (Note 12)	929,515	-
Property, plant and equipment impairment	(75,922)	-
	853,593	-
Assets classified as held for sale	2,013,964	-
Liabilities associated with assets held for sale:		
Conditional secured converting note (Note 15)	(1,800,000)	-
Accruals	(230,274)	-
Repair & maintenance provision (Note 16)	(77,626)	-
Mine rehabilitation and restoration (Note 16)	(76,132)	-
Trade and other creditors	(7,995)	-
	(2,192,027)	-
Net liabilities classified as held for sale	(178,063)	-

9. Other receivables

	Consolidated 2017 $	Consolidated 2016 $
Current		
Prepayments and deposits	25,616	23,334
Other receivables	-	1,535
GST refund	10,847	19,970
Rental bond	11,500	11,500
	47,963	56,339

10. Other financial assets

	Consolidated 2017 $	Consolidated 2016 $
Fair Value through profit or loss financial asset:		
Current		
Share Options (i)	-	78,000
	-	78,000
Available for sale investments carried at fair value:		
Current		
Quoted shares (ii)	576,272	-
	576,272	-
Total current other financial assets	576,272	78,000

Available for sale investments carried at fair value:		
Non-Current		
Quoted shares (ii)	2,869	1,120,254
	2,869	1,120,254

(i) Avira Energy Limited held 20,000,000 unlisted free attaching options in Cauldron Energy Limited (ASX:CXU) which were exercisable at $0.138 per option, on or before 31 December 2016. The options expired on 31 December 2016 and were not exercised. Cauldron Energy Limited is a company involved in uranium exploration.

(ii) The current other financial assets includes $576,272 (2016: $1,118,646) represents the fair value of 16,949,176 fully paid ordinary shares in Cauldron Energy Limited (ASX:CXU) acquired on 30 March 2016. On 22 June 2017 Joseph Capital (Hong Kong) Limited agreed to extinguish their $500,000 convertible note (see Note 14) plus all remaining interest due and payable, via the transfer of Cauldron Energy Limited shares to Joseph Capital (Hong Kong) Limited or its nomimee. The transaction will be completed subsequent to year-end upon shareholders' approval at a general meeting to be held on 26 September 2017.

	Consolidated 2017 $	Consolidated 2016 $
11. Exploration and evaluation expenditure		
Balance at the beginning of the year	1,831,345	3,628,820
Tenement write-back/ (impairment)	14,549	(2,392,463)
Expenditure incurred during the year	205,204	594,988
Reclassifed as held for sale (Note 8)	(1,180,677)	-
Balance at the end of the year	870,421	1,831,345

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 October 2014 an independent valuation of the tin and gold properties were carried out by Veronica Webster Pty Ltd as a requirement of the Independent Expert Report produced by Nexia Court Financial Solutions Pty Ltd to report on the fairness and reasonableness of the Auskong International Mining Investment Co., Limited proposed investment set out in the Notice of Meeting to shareholders dated 15 January 2015.

The Mount Garnet Tin project was valued by referring to a modified discounted-cash-flow-rate-of-return to obtain a net present value for the mining project. The gold resources and exploration projects were valued by 'Expected Value' methods and the 'Multiples of exploration expenditure' method. The tin and gold valuations, prepared by Veronica Webster Pty Ltd were updated in August 2015, which led to an impairment of $5,121,643 in the year to 30 June 2015.

During February 2016, Veronica Webster Pty Ltd updated their August 2015 independent valuation of the tin and gold properties to provide Avira Energy Limited with a valuation effective 30 June 2016.

During April 2017, Veronica Webster Pty Ltd updated their February 2016 independent valuation of the tin and gold properties to provide Avira Energy Limited with a valuation effective 30 June 2017.

In both the February 2016 and April 2017 valuation review, Veronica Webster Pty Ltd has not revised the value assigned to the Group's gold assets determined in August 2015 as:

(i) There has been no significant activities performed on the tenements that would warrant an upward adjustment in valuation amount and
(ii) There have been no significant changes in the industry and financial sentiment.

The following assumptions were used in preparing the modified discounted cash flow rate of return to obtain a net present value for the tin properties:

- Mined grade – 0.50% Sn
- Tin price – Potential project economies were examined at a range of tin prices from US$15,000 to US$25,000.
- A$/US$ exchange rate of 0.70
- Mine Life – 10 years at 250,000 tonnes per annum, assuming ongoing exploration to support future ore supply
- Pre-start capital of $7,200,000 primarily to upgrade the plant to 250,000 tonnes per annum and to construct a new tailings dam
- Exploration costs of $3,000,000 ahead of commencement of production, thereafter $1,000,000 per annum for the life of the operation
- Environmental costs to obtain requisite environmental approvals of $750,000 over 18 months
- Mining strip ratio of 6:1
- Mining costs of $26/tonne of ore mined
- Processing cost of $25/tonne milled
- Smelter return of 82% (includes charge for impurities)
- Plant recovery of 70%
- Tin concentrate grade of 55%
- Discount rate of 20%
- Tax rate of 30%

In the opinion of Veronica Webster Pty Ltd, the current market would pay a range between nil and $2,500,000 for the tin properties on the valuation date, with a preferred value of $1,250,000.

The Board determined the most appropriate fair value of the tin assets within the range, to be $1,084,239 after taking into account the recent third party interest in the project. The value falls within level 3 of the fair value hierarchy due to one or more significant inputs being not based on observable market data.

In the opinion of Veronica Webster Pty Ltd, the current market would pay a range between $350,000 and $1,350,000 for the gold properties on the valuation date, with a preferred value of $850,000. The Board determined the most appropriate fair value of the gold assets within the range, to be $850,000.

The value falls within level 3 of the fair value hierarchy due to one or more significant inputs being not based on observable market data. The review of gold assets led to a reversal of previously recognised impairment losses, resulting in an impairment write back of $14,549 in the profit and loss in the year to 30 June 2017.

12. Plant and equipment

	Office equipment $	Mine infrastructure $	Motor vehicle $	Total $
At 30 June 2017				
Cost	528,846	3,845,477	283,790	4,660,113
Accumulated depreciation	(458,753)	(2,981,791)	(280,281)	(3,720,825)
Disposal of assets	-	-	(2,222)	(2,222)
Reclassified as held for sale (Note 8)	(62,542)	(863,686)	(3,287)	(929,515)
Net book value	7,552	-	-	7,551
Year ended 30 June 2017				
Balance at the beginning of the financial year:	93,215	1,425,069	21,266	1,539,550
Disposals	-	-	(2,222)	(2,222)
Depreciation expense	(23,122)	(115,729)	(15,757)	(154,608)
Reclassified as held for sale	(62,542)	(863,686)	(3,287)	(929,515)
Balance at the end of the financial year	7,551	-	-	7,551

	Office equipment $	Mine infrastructure $	Motor vehicle $	Total $
At 30 June 2016				
Cost	528,846	3,845,477	285,790	4,660,113
Accumulated depreciation	(435,631)	(2,420,408)	(264,524)	(3,120,563)
Net book value	93,215	1,425,069	21,266	1,539,550
Year ended 30 June 2016				
Balance at the beginning of the financial year:	129,836	1,582,129	70,737	1,782,702
Additions	9,578	-	-	9,578
Disposals	-	-	(25,884)	(25,884)
Depreciation expense	(46,199)	(157,060)	(23,587)	(226,846)
Balance at the end of the financial year	93,215	1,425,069	21,266	1,539,550

The Mount Garnet Mine site including all property, plant and equipment held by MGT Mining Limited has been classified and accounted for at 30 June 2017 as a disposal group held for sale (see note 8) as its carrying value will be recovered principally through the transfer of assets to MGT Minerals Pty Ltd as part of the a termination deed with Niflheim Resources Pte Ltd whereby the $1,800,000 conditional secured converting note and all interest and fees payable will be extinguished via the transfer of tin assets and property, plant and equipment of MGT Mining Limited to MGT Minerals Pty Ltd (see Note 29).

	Consolidated 2017 $	Consolidated 2016 $
13.Trade and other payables		
Trade and other payables	41,891	84,970
Accrued expenses	193,361	464,574
	235,252	549,544

		Consolidated 2017 $	Consolidated 2016 $
14. Unsecured borrowings			
Current			
Convertible note	(i)	1,486,000	1,494,986
Convertible note	(ii)	-	2,996,305
Convertible note	(iii)	-	2,996,305
Convertible note	(iv)	484,397	-
		1,970,397	7,487,596

(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 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, Armstong 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. This is subject to shareholder approval (see Note 29).

(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 is 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 17).

(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 is 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 17).

(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. 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 Energy Limited ordinary shares held by Avira Energy Limited, to Joseph Capital (Hong Kong) Limited or its nominee. This is subject to shareholder approval. (see Note 29).

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

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 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 $ Armstrong	Convertible note (i) $ Armstrong	Convertible note (ii) $ Cloud	Convertible note (iii) $ Marvel	Convertible note (iv) $ Joseph	Total $
Proceeds of issue	1,500,000	1,500,000	3,000,000	3,000,000	500,000	9,500,000
Equity component – value of conversion rights	(37,969)	(38,136)	(75,939)	(75,939)	(50,847)	(278,830)
Liability component at the date of issue	1,462,031	1,461,864	2,924,061	2,924,061	449,153	9,221,170
Interest expense (a)	397,969	24,136	795,939	795,939	35,244	2,049,227
Interest paid (b)	(360,000)	-	(720,000)	(720,000)	-	(1,800,000)
Total	1,500,000	1,486,000	3,000,000	3,000,000	484,397	9,470,397
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)
	-	1,486,000	-	-	484,397	1,970,397
Current liability						1,970,397
Non-current liability						-
						1,970,397

(a) This represents the effective interest throughout the term of the notes.
(b) This represents the nominal interest throughout the term of the notes.

14.1 Fair value measurement of the Group's borrowings

The initial fair value of the liability portion of the convertible notes issued to Auskong International Mining Investment Co. Limited, was determined using an estimated market interest rate of 14% which was determined to an estimate of the benchmark rate for a similar organisation.

The initial fair value of the liability portion of the convertible notes issued to Armstrong Industries HK Limited, Cloud Adventurer Limited and Marvel Network Limited, in previous periods was determined using an estimated market interest rate of 9% which was determined to be an estimate of the benchmark rate for a similar organisation at that time.

The initial fair value of the liability portion of the convertible notes issued to Joseph Capital (Hong Kong) Limited and Armstrong Industries HK Limited during the current year was determined using an estimated market interest rate of 18% which was determined to be an estimate of the benchmark rate for a similar organisation at that time plus credit spread to account for speculative risk on the Group.

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 value of current convertible notes are based on discounted cash flows using the 18% 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.

	Consolidated 2017 $	Consolidated 2016 $
15. Secured borrowings		
Current		
Opening balance(i)	1,500,000	1,500,000
Repayment (ii)	(1,500,000)	-
Secured loan (iii)	200,000	-
Conditional Secured Converting Note (iv)	1,800,000	-
Reclassified to held for sale (Note 8) (iv)	(1,800,000)	-
	200,000	1,500,000

(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 Energy Limited signed a $200,000 secured loan agreement with Niflheim Resources Pte Ltd, secured against the 95,638,256 shares that Avira Energy 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.

(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 entiy of Niflheim Resources Pte Ltd. (see Note 29).

		Consolidated 2017 $	Consolidated 2016 $
16. Provisions			
Current			
Employee benefits	(i)	26,368	22,488
Repair & maintenance	(iii)	77,626	77,626
Reclassified to held for sale (Note 8)		(77,626)	-
		26,368	100,114
Non – current			
Employee benefits	(i)	47,719	38,377
Mine rehabilitation and restoration	(ii)	76,132	76,132
Reclassified to held for sale (Note 8)		(76,132)	-
		47,719	114,509
Disclosed in the financial statements as:			
Current provisions		26,368	100,114
Non-current provisions		47,719	114,509
		74,087	214,623

(i) Employee benefits
Represents annual leave and long service leave.

(ii) Mine rehabilitation and restoration
The Group recognises that it has an obligation to restore its mine sites to their original condition at the end of the life of the mine. Mine rehabilitation costs are provided for and based on estimated future expenditure when the liability is incurred. Although the ultimate cost to be incurred is uncertain, the Group has estimated it using current restoration standards and techniques.

The Group has re-assessed the liability as at 30 June 2017 and concluded that the amounts still represents the best estimated amount.

(iii) Repair and maintenance of tailings storage facility
A provision has been made for the repair and maintenance of the tailings storage facility in order to ensure that it is compliant with environmental laws. As at 30 June 2015, management estimated the repair cost at $100,000 of which $22,373 in repair costs have been incurred to date. Management is aware that the repairs made represent a short term solution only, hence the remainder of the provision is retained in the books due to the anticipated repairs and maintenance that need to be performed subsequent to year-end. Management believes that the provision as at 30 June 2017 is sufficient to cover potential costs until a more permanent solution is agreed upon.

As stipulated in the Asset Transfer Agreement entered into between MGT Mining Limited and MGT Minerals Pty Ltd (see Note 29), MGT Minerals Pty Ltd will assume liabilities in respect of the assets transferred and the assets' associated costs, which existed or accrued prior to the transfer completion date and which may exist on or after completion, other than excluded liabilities specifically stipulated in the Agreement. For clarity, transferred liabilities include environmental obligations and liabilities. As the provisions for mine rehabilitation and repair and maintenance of tailings storage facility are specifically attached to the tin assets, these provisions are reclassified to held for sale.

17. Issued capital	Consolidated 2017	Consolidated 2016
(a) Share capital	$	$
48,306,640 fully paid ordinary shares (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	-
	26,089,813	19,095,000

	No. of shares	Issue price	Share Capital
(b) Movements in ordinary share capital			$
Opening balance	452,763,101		19,095,000
July 2016 issue of shares	30,303,030	0.033	1,000,000
10: 1 share consolidation (i)	(434,759,491)		-
Capital raising costs	-		(5,187)
Total	48,306,640		20,089,813

	No. of shares	Issue price	Share Capital
(c) Movements in convertible preference shares			$
Opening balance	-		-
Conversion of convertible notes into preference shares (ii)	181,818,181	0.033	6,000,000
10:1 share consolidation (i)	(163,636,361)		-
Total	18,181,820		6,000,000

(i) Following the Annual General Meeting on 30 November 2016 shareholders approved a 10:1 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.

(ii) 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 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.

Capital risk management

The group’s objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including ‘borrowings’ and ‘trade and other payables’ as shown in the statement of financial position) less cash and cash equivalents. Total capital is calculated as ‘equity’ as shown in the statement of financial position (including non –controlling interests) plus net debt.

Whilst the group strategy remains to maintain a lower gearing ratio, tight financial markets did not assist with raising debt free capital and in order to continue to carry out strategic objectives, a secured loan and conditional secured converting note (see Note 15). Subsequent to year end and following shareholder approval on 26 September 2017, the group converted $1,500,000 of the Armstrong Industries HK Limited convertible notes into preference shares and got approval from shareholders to eliminate the $500,000 convertible note owing to Joseph Capital (Hong Kong) Limited via the transfer of Cauldron Energy Limited shares to a nominee entity of Joseph Capital (Hong Kong) Limited. MGT Mining Limited also entered into a deed of termination with Niflheim Resources Pte Ltd to terminate the $1,800,000 conditional secured converting note via the transfer of tin, property, plant and equipment from the Mount Garnet site to MGT Minerals Pty Ltd, a nominee entity of Niflheim Resources Pte Ltd (refer to note 29). On 1 September 2017, Avira Energy Limited entered into unsecured lines of credit of $60,000 with Executive Directors.

The gearing ratios at 30 June 2017 and 30 June 2016 were as follows:

	Consolidated 2017 $	Consolidated 2016 $
Total borrowings, excluding provisions	2,405,649	9,537,140
Total borrowing included in assets classified as held for sale, excluding provisions	2,038,168	-
Less:	4,443,817	9,537,140
Cash and cash equivalents	(138,552)	(149,060)
Net debt	4,305,265	9,388,080
Total equity	(1,014,171)	(4,977,215)
Total capital	3,291,094	4,410,865
Net debt to equity ratio	131%	213%

18. Reserves

	Consolidated 2017 $	Consolidated 2016 $
Revaluation reserve on available for sale securities (a)	(1,062,590)	(521,344)
Share option reserves (b)	2,138,182	212,255
Embedded derivative on – equity components (c)	88,983	189,847
	1,164,575	(119,242)

(a) Revaluation reserves

	Consolidated 2017 $	Consolidated 2016 $
Balance at beginning of financial year	(521,344)	(8,708)
Revaluation decrements	(541,246)	(512,636)
Balance at end of financial year	(1,062,590)	(521,344)

On 30 March 2016, Avira Energy Limited, purchased 16,949,176 shares and 20,000,000 options in Cauldron Energy Limited (ASX:CXU) for $2,000,000. An adjustment was made of $542,374 to recognise the loss in fair value of Cauldron Energy Limited shares during the year (2016:$511,354).

(b)Share option reserves	Consolidated 2017 $	Consolidated 2016 $
Balance at beginning of financial year	212,255	243,078
Options expired during the year	(212,255)	-
Share options issued and vested (Note 29)	427,636	12,377
Shares options issued and unvested	1,710,546	-
Share options exercised	-	(43,200)
Balance at end of financial year	2,138,182	212,255

Share options exercised

On 17 February 2015, Auskong International Mining Investment Co., Limited was issued with 24,000,000 unquoted options at nil consideration, exercisable at 5 cents each, into one ordinary share per option, on or before 31 December 2015, as approved by shareholders at a general meeting on 17 February 2015. On 26 November 2015, Auskong International Mining Investment Co., Limited converted its 24,000,000 unquoted options exercisable at 5 cents each, into one ordinary share per option.

	Consolidated 2017 $	Consolidated 2016 $
(c)Equity derivative		
Balance at beginning of financial year	189,847	374,058
Equity derivative derecognised on expiry of convertible note	(189,847)	(184,211)
Equity derivative created on issue of convertible loan	88,983	-
Balance at end of financial year	88,983	189,847

	Consolidated 2017 $	Consolidated 2016 $
19. Retained earnings		
Balance at beginning of financial year	(23,341,252)	(18,731,328)
Transfer to retained earnings	401,209	227,410
Net loss attributable to members of the parent entity	(4,500,073)	(4,837,334)
Balance at end of financial year	(27,440,116)	(23,341,252)

20. Earnings per share	Cents per share	Cents per share
Basic earning per share		
From continuing operations	(14.42)	(8.39)
From discontinued operations	(4.06)	(5.69)
Total basis earnings per share	(18.48)	(14.08)
	Cents per share	Cents per share
Diluted earnings per share		
From continuing operations	(6.40)	(5.44)
From discontinued operations	(2.01)	(5.21)
Total diluted earnings per share	(8.41)	(10.65)

Basic earning per share	Consolidated 2017 $	Consolidated 2016 $
	$	**$**
The earning and weighted average number of ordinary shares used in the calculation of basis earning per share are as follows:		
Net loss for the year	4,500,073	4,837,334
Earning used in the calculation of basic earning per share	4,500,073	4,837,334
Loss for the year from discontinued operations used in the calculation of basis earnings per share from discontinued operations	(986,653)	(1,953,803)
Earnings used in the calculation of basic earnings per share from continuing operations	3,513,420	2,883,531
	No.	**No.**
Weighted average number of ordinary shares for the purpose of basic earnings per share	24,351,829	34,362,334

Diluted earnings per share	**$**	**$**
The earning and weighted average number of ordinary shares used in the calculation of diluted earnings per share are as follows:		
Net loss for the year	4,500,073	4,837,334
Interest on convertible notes	(379,962)	(842,265)
Earning used in the calculation of diluted earnings per share	4,120,111	3,995,069
Loss for the year from discontinued operations used in the calculation of diluted earnings per share from discontinued operations	(986,653)	(1,953,803)
Earnings used in the calculation of diluted earnings per share from continuing operations	3,133,458	2,041,266
	No.	**No.**
Weighted average number of ordinary shares for the purpose of diluted earnings per share	48,998,020	37,511,365

Options attached to converting financial instruments were excluded from the diluted weighted average number of ordinary shares calculation as their effect would have been anti-dilutive.
*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).

21. Commitments

(a) Future exploration

MGT Mining Limited has certain uncontracted obligations to expend minimum amounts on exploration in tenement areas. These obligations may be varied from time to time and are expected to be fulfilled in the normal course of operations.

The uncontracted commitments to be undertaken are as follows:

	Consolidated 2017 $	Consolidated 2016 $
No later than 1 year	526,564	383,931
Later than 1 year and not later than 5 years	1,413,528	1,595,801
Later than five years		-
	1,940,092	1,979,732

To keep tenements in good standing, work programs should meet certain minimum expenditure requirements. If the minimum expenditure requirements are not met, MGT Mining Limited has the option to negotiate new terms or relinquish the tenements. MGT Mining Limited also has the ability to meet expenditure requirements by joint venture or farm-in agreements.

22. Subsidiaries

Details of the Group's subsidiaries at the end of the reporting period are as follows:

		Proportion of ownership interest and voting power held by the Group	
Name of subsidiary	**Country of incorporation**	**2017 %**	**2016 %**
MGT Mining Limited	Australia	89.48%	89.48%
Garimperos Pty Limited (i)	Australia	100.00%	100.00%
Avira Australia Pty Ltd (ii)	Australia	100%	-

(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. On 31 January 2017, MGT Energy Pty Ltd changed its name to Avira Australia Pty Ltd.

22.1 Non-controlling interests (NCI)

Set out below is summarised financial information for MGT Mining Limited that has non-controlling interests that are material to the group. The amounts disclosed for MGT Mining Limited are before inter-company eliminations.

MGT Mining Limited **Summarised balance sheet**	2017 $	2016 $
Assets		
Current assets	44,586	119,263
Non-current assets classified as held for sale	2,013,964	-
Total current assets	2,058,550	119,263
Non-current assets	849,285	3,348,035
Total assets	2,907,835	3,367,298
Liabilities		
Current liabilities	8,590,734	9,197,503
Liabilities directly associated with non-current assets classified as held for sale	2,192,027	-
Total current liabilities	10,782,761	
Non-current liabilities	-	76,132
Total liabilities	10,782,761	9,273,635
Net (liabilities)	(7,874,926)	(5,806,337)

MGT Mining Limited (continued)	2017 $	2016 $
Accumulated NCI	(828,442)	(611,721)
Summarised statement of comprehensive income		
Loss for the year	(967,199)	(3,555,073)
Loss for the year from discontinued operations	(1,102,652)	-
Total loss for the year	(2,069,851)	(3,555,073)
Other comprehensive income	1,262	(1,433)
Total comprehensive income	(2,068,589)	(3,556,506)
Loss allocated to NCI	(217,748)	(327,801)
Summarised cash flows		
Cash flow from operating activities	(223,626)	(391,475)
Cash flow from investing activities	(191,111)	(456,253)
Cash flow from financing activities	413,849	825,000
Net increase/(decrease) in cash and cash equivalents	(888)	(22,728)

23. Notes to the cash flow statement

(a) Reconciliation of cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents included cash on hand and in bank. Cash and cash equivalents at the end of the financial year follows:

	Consolidated 2017 $	Consolidated 2016 $
Cash and cash equivalents	138,552	149,060
	138,552	149,060

For the purpose of presenting the consolidated statement of cash flows, cash and cash equivalents comprise the following at the end for the financial year:

	Consolidated 2017 $	Consolidated 2016 $
Cash and bank balances:		
- Continuing operations	138,552	149,060
- Discontinued operations (Note 8)	76,132	-
	214,684	149,060

(b) Reconciliation of loss for the period to net cash flows from operating activities

	Consolidated 2017 $	Consolidated 2016 $
Loss for the year	(4,717,822)	(5,165,135)
Interest expense	510,422	604,234
<u>Non-cash flow items</u>		
Gain on disposal of property, plant and equipment	(6,868)	(20,435)
Accrued interest expenses	-	(1,535)
Impairment (gain)/loss	(14,549)	2,392,463
Related to discontinued operations	767,841	-
Fair value loss	-	292,000
Depreciation expense	4,782	226,846
Issue of share options	2,138,182	-
Movement in provision for employee benefits	-	17,690
Expiry of share options	78,000	12,377
Interest adjustment on borrowings	20,601	339,764
(Increase)/decrease in other current assets	7,133	30,428
Increase/(decrease) in trade and other payables	26,560	(106,023)
Increase/(decrease) in Provisions	13,323	(22,375)
Net cash from operating activities	(1,172,395)	(1,399,701)

24. Parent entity disclosure

(a) Financial position

	2017 $	2016 $
Assets		
Current assets	8,713,573	7,586,156
Less provision for bad debt (Intercompany)	(8,571,642)	(7,422,020)
Non-current assets	12,185,632	12,729,417
Less provision for impairment of MGT Mining Ltd	(10,940,564)	(10,140,588)
Total assets	1,386,999	2,752,965
Liabilities		
Current liabilities	2,412,925	7,861,772
Non-current liabilities	47,719	38,377
Total liabilities	2,460,644	7,900,149
Equity		
Issued equity	26,089,812	19,095,000
Retained earnings	(28,336,893)	(24,132,932)
Reserves	1,173,436	(109,252)
Total equity	(1,073,645)	(5,147,184)

(b) Financial performance

	2017 $	2016 $
Management fee income	240,000	240,000
Loss for the year	(671,789)	(1,558,062)
Bad debt provision (Intercompany)	(1,149,622)	(1,614,017)
Impairment of investment in MGT Mining Ltd	(799,976)	(1,740,505)
Fair value loss	(78,000)	(292,000)
Share options issued	(2,138,182)	-
Total comprehensive income	(4,597,569)	(4,964,584)

(c) Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities during the current or prior periods.

(d) Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

The parent entity has not entered into any guarantees in relation to the the debts of its subsidiaries.

25. Auditors remuneration	Consolidated 2017 $	Consolidated 2016 $
Audit services		
Audit and review of financial reports	59,900	60,269
Non-audit services	15,250	11,750
Total auditor's remuneration	75,150	72,019

26. Share-based payments

(a) Employee share option plan

The Group has an ownership-based compensation scheme for executives and senior employees. In accordance with the terms of the plan, as approved by shareholders at a previous annual general meeting, executives and senior employees may be granted options to purchase ordinary shares at various exercise prices.

Each employee share option converts into one ordinary share of Avira Energy Limited (formerly MGT Resources Ltd) on exercise. No amounts are paid or payable by the recipient on receipt of the option. The options carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry.

The following share-based payment arrangements were in existence during the current and prior reporting periods:

Option series	Grant date	Expiry date	Exercise price $	Fair value at grant date $	Vesting date
A	7 Nov 2013	7 Nov 2016	0.15	0.0288	Vests at the date of grant
B	17 Dec 2013	17 Dec 2016	0.15	0.0288	Vests 17 Dec 2015 provided the eligible recipient is employed by the group on that date

(b) Movements in share options during the year

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

	2017		2016	
	No. of options	Weighted average exercise price $	No. of options	Weighted average exercise price $
Balance at beginning of year	7,850,000	0.150	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)	0.150	-	-
Adjusted as part of 10:1 share consolidation (ii)	(65,454,546)	0.010	-	-
Balance at end of the year	7,727,728	0.010	7,850,000	0.1500
Exercisable at end of year	1,454,546		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:

(a) 1/5 of the options vested on 16 September 2016 and are exercisable from that date up until and including 16 September 2021.
(b) 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.
(c) 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.
(d) 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.
(e) 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.

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

27. Key management personnel compensation

The aggregate compensation made to directors and key management personnel of the company and the Group is set out below:

	Consolidated 2017 $	Consolidated 2016 $
Short-term employee benefits	360,163	559,290
Post-employment benefits	26,257	29,376
Other long-term benefits	-	-
Termination benefits	-	-
Share-based payment	-	4,221
	386,420	592,887

28.Related party transactions

Jonathan Back, provided services to Avira Energy Limited in his capacity as Executive Chairman and Managing Director through his company, Ocean Central Limited for a total payment of $72,000 during the period to 30 June 2017 (2016: $144,000 exc GST). Of the $72,000 paid to Ocean Central Limited during the year, $24,000 relates to services provided during the year to 30 June 2016 and $48,000 relates to services provided during the year to 30 June 2017.

Gary Kuo, provided employment services to Avira Energy Limited in his capacity as Executive Director and Managing Director. Refer to Key management personnel compensation note in the Directors report for a breakdown of remuneration earned.

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 payment of $15,996 during the period to 30 June 2017 (2016: $32,000 exc GST). Of the $15,996 paid to Ocean Central Limited during the year, $5,332 relates to services provided during the year to 30 June 2016 and $10,664 relates to services provided during the year to 30 June 2017.

Christopher Chen, provided employment services to Avira Energy Limited in his capacity as Executive Director and Chief Operating Officer. Refer to Key management personnel compensation note in the Directors report for a breakdown of remuneration earned.

Wenshan Zhang provided service to Avira Energy Limited in his capacity as Non-Executive Director of $20,417 through his nominated company Beijing Cui Yu Tong Bao Zhu Bao Dian during the period to 30 June 2017 (2016: $35,000). Of the $20,417 paid to Beijing Cui Yu Tong Bao Zhu Bao Dian during the year, $8,750 relates to services provided during the year to 30 June 2016 and $11,667 relates to services provided during the year to 30 June 2017.

Rui Zhang provided services to Avira Energy Limited in his capacity as Non-Executive Director, from his appointment on 6 December 2016. Mr Zhang was not paid a fee for these services during the period to 30 June 2017.

Jacqueline Butler, provided employment services to Avira Energy Limited in her capacity as Chief Financial Officer and Company Secretary. Refer to Key management personnel compensation note in the Directors report for a breakdown of remuneration earned.

Avira Energy Limited provides key management personnel services to MGT Mining Limited, the 89.48% subsidiary of Avira Energy Limited for a total value of $240,000 during the period to 30 June 2017 (2016:$240,000 exc GST).

Joseph Energy (Hong Kong) Limited is a substantial shareholder of Avira Energy Limited holding 19,190,910 ordinary shares in Avira Energy Limited, representing a 39.73% shareholding as at 30 June 2017.

29.Events occurring after the reporting period

On 2 August 2017, Hong Kong Jingaofengda Business Co., Limited signed a placement agreement with Avira Energy Limited for $100,000 and was issued with 7,200,000 ordinary shares.

Niflheim Resources Pte Ltd

On 31 July 2017 Niflheim Resources Pte Ltd signed an extension letter approving the extension of the expiry date of the $1,800,000 conditional secured converting note to 15 August 2017. On 14 August 2017, Niflheim Resources Pte Ltd signed an extension letter approving the extension of the expiry date of the $1,800,000 conditional secured converting note to 22 August 2017.

On 14 August 2017, Niflheim Resources Pte Ltd signed an extension letter approving the extension of the expiry date of the $200,000 secured loan with Avira Energy Limited to 22 August 2017. This was again extended on 22 August 2017 to 30 October 2017.

On 22 August 2017 MGT Mining Limited entered into a termination deed with Niflheim Resources Pte Ltd whereby the $1,800,000 conditional secured converting note and all interest and fees payable will be extinguished via the transfer of tin assets and property, plant and equipment of MGT Mining Limited to an associated entity of Niflheim Resources Pte Ltd, MGT Minerals Pty Ltd. A Transfer Agreement between MGT Mining Limited and MGT Minerals Pty Ltd has been entered into to faciliate this.

Tin Assets to be transferred to MGT Minerals Pty Ltd:

- Summer Hill – ML 20547
- Mount Veteran – ML 4349
- Heads & Tails – ML 20655
- Nymbool – EPM 16948
- Nymbool West – EPM 25690
- Nymbool Extended – 25347
- Nanyetta – EPM 25433
- Fuzzy Hill – EPM 25716

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 described above.

The above transaction is subject to all necessary approvals required under the Corporations Act or any other law. It is also subject to a notice in writing by or on behalf of the Treasurer of the Commonwealth of Australia stating that the Commonwealth Government does not object to the proposed transfer of assets either unconditionally or on terms reasonably accetable to MGT Minerals Pty Ltd.

Lines of credit
On 1 September 2017, Avira Energy 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 Energy Limited to repay any drawn down funds at any time during the availability period. There are no interest costs associated with the facilities.

The lines of credit were drawn down by $15,000 each prior to the signing of this annual report.

Avira Energy Limited general meeting
On 26 September 2017 following the general meeting, Armstrong Industries HK Limited converted the $1,500,000 convertible note (see Note 14) plus interest due and payable thereunder into 8,839,835 preference shares on a dollar for dollar basis at the conversion price of $0.19 per preference shares.

On 26 September 2017 following the general meeting, shareholders approved the termination of the Joseph Capital (Hong Kong) Limited $500,000 convertible note (see Note 14) and all remaining interest due and payable via the transfer of 16,949,176 Cauldron Energy Limited ordinary shares held by Avira Energy Limited, to Joseph Capital (Hong Kong) Limited or its nominee.

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.

30. Comparative figures
During the year, the Group modified the statement of comprehensive income for the reclassification of income and expenses attributed to discontinued operations. Comparative amounts in the statement of comprehensive income were reclassified in order to be consistent with current year presentation.
Since the reclassification does not affect 2015 balances, the statement of financial position as at 30 June 2015 is not presented. The effect of the reclassification follows:

Statement of comprehensive income – 30 June 2016	As previously reported	Reclassification	As restated
Other gains and losses	(270,930)	(20,435)	(291,365)
Employee benefit expense	(444,756)	33,664	(411,092)
Depreciation and amortisation expense	(226,846)	219,151	(7,695)
Impairment losses	(2,392,463)	1,807,253	(585,210)
Administration expense	(262,695)	89,379	(173,316)
Other expense	(635,859)	54,497	(581,362)
Loss for the year on discontinued operations	-	(2,183,508)	(2,183,508)

DIRECTOR'S DECLARATION

The directors declare that:

(a) In the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable;

(b) In the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the company and the consolidated entity;

(c) In the directors' opinion, the financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board; and

(d) The directors' have been given the declarations required by s.295A of the Corporations Act 2001.

Signed in accordance with a resolution of the directors made pursuant to s.295(5) of the Corporations Act 2001.

On behalf of the Directors

Jonathan Back
Executive Director
Dated: 28 September 2017

MAZARS

INDEPENDENT AUDITOR'S REPORT TO THE DIRECTORS OF AVIRA ENERGY LIMITED AND ITS CONTROLLED ENTITIES

Report on 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.

Basis for Disclaimer of Opinion

The Directors have set out their reasons for believing the company is a going concern in Note 1(a) to the financial report. As at 30 June 2017 the consolidated entity incurred a net loss after tax of $4,717,822 and cash outflows from operating and investing activities of $1,367,599. In addition net current liabilities amounted to $1,847,293 and net liabilities were $1,014,171 as at 30 June 2017.

The consolidated entity has a secured loan of $200,000 and line of credit facilities of $60,000 all maturing in October 2017. As at the date of signing of the financial report, the consolidated entity has not yet secured additional funds sufficient enough to extinguish the finance facilities and to provide sufficient working capital to facilitate the completion of proposed drilling programs and to fulfil tenement expenditure commitments.

Notwithstanding this, the consolidated entity is evaluating the pre - requisites required to enter into a potential transaction with a joint venture party. Engagement in this project could facilitate the introduction of additional capital from interested investors at an amount that may or may not be sufficient to provide both joint venture funding and working capital for the consolidated entity.

The Disclaimer of opinion has been issued as a result of the interrelated uncertainties described above. We have been unable to obtain sufficient appropriate audit evidence as to whether the Company may be able to obtain financing to meet the secured loan repayments and drilling and exploration expenditure obligations and remove the significant doubt on its ability to continue as a going concern within 12 months from the date of this auditor's report.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report for the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's Responsibility section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

Key Audit Matter	How our audit addressed the matter
Disposal of tin tenements and property, plant and equipment	
On 22 August 2017, the Group entered into a deed of termination and an asset transfer agreement with a third party lender to extinguish the Group's $1.8million conditional secured converting note, via the transfer of the tin tenements and property, plant and equipment held at the Mount Garnet Mine. In accordance with AASB 5, Non-Current Assets Held for Sale and Discontinued Operations, the Group has classified the assets for transfer as non-current assets held for sale (disposal group) and reclassified the operating results attributed to the tin tenements as discontinued operations. The Group is also required to appropriately calculate any impairment on the disposal group ensuring that the assets are appropriately measured.	Our audit procedures included: • Obtaining and reviewing the agreements to support the disposal group classification and any associated loss on disposal group computation; • Reviewing the minutes of board and shareholder meetings to ascertain management's commitment on the disposal of the assets; • Assessing completeness and accuracy of the assets included in the disposal group and their measurement. We considered the classification and measurement of the disposal group to be appropriate.

Impairment of non-current assets and disposal group	
A substantial amount of the Group's total assets (79%) relate to identifiable intangible assets which are subject to impairment assessment in accordance with AASB 136, Impairment of Assets. These assets include property, plant and equipment and mining tenements classified as a disposal group and capitalised exploration and evaluation costs totalling approximately $2.88million. Management's impairment assessment of these non-current assets and disposal groups are considered as key audit matter as they involve a high degree of management judgment and bias as well as reliance on third party valuation experts.	Our audit procedures included: • Evaluating the competency and objectivity of experts who produced the valuation estimates on tenements by considering their professional qualification, experience, use of industry accepted methodology and reporting lines; • Testing the reasonableness of inputs to the valuation report such as the commodity prices and foreign exchange rates; • Obtaining support on the fair value less cost to sell used by management in determining the recoverable value of the disposal group; We considered the carrying amount of the non-current assets and disposal group to be appropriate.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2017, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation of the financial report that gives a true and fair view and have determined that the basis of preparation described in Note 1 to the financial report is appropriate to meet the requirements of the *Corporations Act 2001* and is appropriate to meet the needs of the members. The management's responsibility also includes such internal control as management determine is necessary to enable the preparation of a financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, management is responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Report

Our responsibility is to express an opinion on the financial report based on conducting the audit in accordance with Australian Auditing Standards. Because of the matter described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

We are independent of the Company in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

Report on the Remuneration Report

We have audited the Remuneration Report for the year ended 30 June 2017 as outlined on pages 24 to 28 of the financial report. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion, the Remuneration Report of Avira Energy Limited for the year ended 30 June 2017, complies with section 300A of the Corporations Act 2001.

MAZARS RISK AND ASSURANCE PTY LTD

R. Megale

R. Megale
Director

Sydney, on this 28th day of September 2017

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ADDITIONAL STOCK EXCHANGE INFORMATION

The shareholder information set out below was applicable as at 28 September 2017.

A. Distribution of equity securities

Analysis of numbers of equity security holders by size of holding:

	Class of equity security			
	Ordinary shares		Redeemable preference shares	Convertible notes
Holding	**Shares**	**Options**		
1 – 1,000	64	-	-	-
1,001 – 5,000	168	-	-	-
5,001 – 10,000	49	-	-	-
10,001 – 100,000	103	-	-	-
100,001 and over	36	2	3	1
	420	2	3	1

B. Equity security holders

Twenty largest quoted equity security holders

The names of the twenty largest holders of quoted equity securities are listed below:

	Ordinary Shares	
Name	**Number held**	**Percentage of issued shares**
JOSEPH ENERGY (HONG KONG) LIMITED	19,190,909	34.57%
HONG KONG JINGAOFENGDA BUSINESS CO LIMITED	7,200,000	12.97%
JONATHAN PAUL BACK	6,502,973	11.72%
CHRISTOPHER CHEN	3,657,000	6.59%
PARKRIDGE CAPITAL INC	1,820,000	3.28%
KUOKAI PTY LTD <KUO'S GROUP FAMILY A/C>	1,773,800	3.20%
ARMSTRONG INDUSTRIES HK LTD	1,612,500	2.91%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	1,461,432	2.63%
ALAN KAI-YUAN CHENG	835,250	1.50%
MR KOKI INOMATA	670,000	1.21%
WILLIAM RICHARD PIRIE	420,000	0.76%
MR DAVID HARPER	400,000	0.72%
TSUMO H.K. CO. LIMITED	350,000	0.63%
MS LISA HUANG	336,400	0.61%
JASON RALPH COX	320,000	0.58%
MR SING FUNG STEVE NGAN	320,000	0.58%
ERIDITUS PTY LTD <THE ROBERT VAGNONI FAM A/C>	300,000	0.54%
ROBERT HOWE +	292,000	0.53%
MR CLIVE JAMES MCKERR + MRS SARAH JAYNE SANDRA MCKERR <MCKERR SUPER FUND A/C>	290,000	0.52%
CARY CHEN	280,250	0.50%

C. Substantial Shareholders

The names of shareholders with relevant interests of 5% or more (of the voting power of those shares) are listed below:

	Ordinary Shares	
Name	**Number held**	**Percentage of issued shares**
JOSEPH ENERGY (HONG KONG) LIMITED	19,190,910	34.57%
HONG KONG JINGAOFENGDA BUSINESS CO LIMITED	7,200,000	12.97%
JONATHAN PAUL BACK (Direct and Indirect)	6,532,973	11.77%
CHRISTOPHER CHEN	3,657,000	6.59%
	36,580,883	65.90%

D. Unquoted Securities (Options)

	Unlisted Options	
	Number of Holders	**Number on Issue** (28 September 2017)
Options over ordinary shares issued	2	7,727,728

E. Schedule of Mineral Tenements

Schedule of tenements as at 30th June 2017:

State	Tenement Name	Tenement ID	Location	Interest	Holder	Comments
QLD	Mt Veteran	ML 4349	Mt Garnet	89.48%	MGTM	Granted
QLD	Summer Hills	ML 20547	Mt Garnet	89.48%	MGTM	Granted
QLD	Heads or Tails	ML 20655	Mt Garnet	89.48%	MGTM	Granted
QLD	Valetta	ML 20066	Mt Garnet	100%	MGS	Granted
QLD	Nymbool	EPM 16948	Mt Garnet	89.48%	MGTM	Granted
QLD	Nanyetta	EPM 25433	Mt Garnet	89.48%	MGTM	Granted
QLD	Nymbool Extended	EPM 25347	Mt Garnet	89.48%	MGTM	Granted
QLD	Nymbool West	EPM 25690	Mt Garnet	89.48%	MGTM	Granted
QLD	Fuzzy Hill	EPM 25716	Mt Garnet	89.48%	MGTM	Granted
QLD	Pyramid	EPM 12887	Drummond Basin	89.48%	MGTM	Granted
QLD	Pyramid 3	EPM 19554	Drummond Basin	89.48%	MGTM	Granted
QLD	Pyramid 2	EPM 25154	Drummond Basin	100%	MGS	Granted
QLD	Yarrol	EPM 8402	Monto	89.48%	MGTM	Granted
QLD	Mt Steadman	EPM 12834	Gayndah	89.48%	MGTM	Granted
QLD	Gooroolba	EPM 15426	Gayndah	89.48%	MGTM	Granted