

# **MAGNIS RESOURCES LIMITED**

**ABN 26 115 111 763**

**FINANCIAL REPORT  
FOR THE HALF-YEAR ENDED  
31 DECEMBER 2014**

## **FINANCIAL REPORT**

### **FOR THE HALF-YEAR ENDED 31 DECEMBER 2014**

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*This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2014 and any public pronouncements made by MAGNIS RESOURCES LIMITED during the interim reporting period in accordance with the continuous disclosure requirements of the Australian Securities Exchange.*

## DIRECTORS' REPORT

Your Directors present their report on the consolidated entity of Magnis Resources Limited ("Magnis" or the "Company" formerly Uranex Limited; ASX Code:MNS former Code:UNX) for the half-year ended 31 December 2014.

### DIRECTORS

The following persons were Directors of the Company during the half-year and up to the date of this report:

Frank Poullas (Non Executive Chairman, Appointed 29 August 2014)  
Johann C Jooste-Jacobs (Non Executive Director)  
Stephen B Hunt (Non Executive Director)  
Peter Sarantzouklis (Non Executive Chairman, Resigned 29 August 2014)

### COMPANY OVERVIEW

Magnis Resources Limited is an Australian based graphite and uranium exploration and development company, listed on the ASX. The Company is focused on the exploration and development of a graphite project in Africa and a diversified pipeline of uranium projects both in Australia and Africa.

### REVIEW AND RESULTS OF OPERATIONS

The net loss after tax of the consolidated entity for the half-year ended 31 December 2014 was \$7,221,198 (2013: \$2,615,104) which was mainly due to exploration expenditure of \$5,330,137 that encompassed drilling costs, the costs involved in attaining our Maiden JORC Resource and Pre-Feasibility Study (2013: \$1,269,389) and administration costs of \$1,891,061 (2013: \$1,395,697).

An operational overview is set out below.

### TANZANIA

#### OVERVIEW

The exploration and operational activities for the half year ended 31 December 2014 were primarily focused on exploration and development work at the Nachu Graphite Project in SE Tanzania. With completion of the 2014 drilling program, a JORC Resource was defined and subsequently a Pre-Feasibility Study (PFS) was completed. In parallel, a metallurgical test program was completed and negotiations with offtake parties commenced with the signing of MOUs that preceded to two binding offtake agreements with SINOMA and SINOSTEEL.

The Nachu tenement is west of the coastal city of Lindi and approximately 200km by road from the port city of Mtwara.

#### JORC Resource

The maiden JORC Resource for the Nachu Graphite Project was released in November 2014 on schedule and the Mineral Resource Estimate was carried out by independent mining consultancy firm AMC Consultants Pty Ltd. The Mineral Resource Estimate was calculated at 156Mt at 5.2% graphitic carbon (Cg) using a 3% Cg cut-off grade. The Mineral Resource is inclusive of 104Mt in the Measured and Indicated categories and representing 66% of the total, with over 8Mt of contained graphite. The Mineral Resource was derived from only 2% of Nachu tenement land area.

## DIRECTORS' REPORT (CONTINUED)

The total Mineral Resource is reported in accordance with the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code, 2012).

The Nachu tenement covers approximately 199 km<sup>2</sup> and the Mineral Resource is split into five deposits (Block B, D, F, FSL & J). All deposits have mineralisation at or near surface and the modelled resource depths vary between deposits with over 85% of the defined total resource less than 150m from surface.

Table 1: Nachu Graphite Project Global Mineral Resource Estimate as at 26 November 2014

Deposit	Category	Oxidation	Mt	%Cg
All Blocks >3% Cg	Measured	Oxide	0.2	5.2
		Primary	3.7	5.6
	Indicated	Oxide	4	5.5
		Primary	96	5.1
	Inferred	Oxide	2	5.6
		Primary	51	5.7
Sub Total	All Categories	Oxide	6	5.4
		Primary	150	5.2
<b>All</b>	<b>All Categories</b>	<b>All</b>	<b>156</b>	<b>5.2</b>

Notes: 1. Cut-off of 3% graphitic carbon  
2. Rounding may result in differences in total and average grades.

Table 2: Nachu Graphite Project Mineral Resource Estimate by Block

Block	B			D		F		FSL		J	
	COG	Tonnage	Grade	Tonnage	Grade	Tonnage	Grade	Tonnage	Grade	Tonnage	Grade
	%Cg	Mt	%Cg	Mt	%Cg	Mt	%Cg	Mt	%Cg	Mt	%Cg
Measured	Oxide	3.0						0.2	5.2		
	Primary	3.0						3.7	5.6		
Indicated	Oxide	3.0	0.2	6.5		3	4.8	0.2	5.4	0.7	8.3
	Primary	3.0	6.6	6.3		75	4.7	4.9	5.1	9	8.1
Inferred	Oxide	3.0	0.1	5	0.7	5.9	1	5.1	0.01	3.2	10.1
	Primary	3.0	0.8	5	19.5	5.9	27	5.0	0.9	4.2	10.2
Sub Total		7.6	6.1	20.2	5.9	106	4.8	9.8	5.2	12.9	8.6

Notes: 1. Cut-off of 3% graphitic carbon  
2. Rounding may result in differences in total and average grades.

### PFS

The PFS was completed by South African engineering company Logiman and Australian engineering consultancy firm BatteryLimits Pty Ltd. The Project financials show an after tax NPV of US\$1.04b and 84% IRR (using a discount rate of 10%) and a capital payback period

## DIRECTORS' REPORT (CONTINUED)

of 1.4 years. The basket selling price used in the study was US\$2,119/t as a reflection of the large proportions of Large, Jumbo and Super Jumbo flake sized graphite that account for over 90% of total Project revenue. The quoted prices have been sourced from overseas graphite industry experts, Industrial Minerals and our off-take partners (see corporate section below).

The Project's design criteria, the capital cost estimate and the operating cost estimate were based on a Project producing 180,000 tonnes of graphite concentrate per annum with an average ore grade of 5.2% graphite. The capital cost estimate of US\$171.4m includes all processing facilities, infrastructure, dams, roads, owner's costs, environmental and social costs. Operating costs include contract mining, contract product transport and ship loading, contract camp operation and Project security. The operating cost for the first 3 years is US\$448/t of product. The life of mine cost of US\$473/t reflects some higher strip rates in subsequent years. Life of mine strip ratio is 2:1

The Board made the decision to proceed to Project development subject to raising the requisite financing and obtaining Government approvals.

### Metallurgical Testing

Metallurgical testing of the drill core from the 2014 exploration program was conducted using a combination of milling and flotation steps. The scope of the metallurgical program included ore variability testing, generation of marketing samples and optimisation of processing route and flake size.

Metallurgical testing for ore variability test work extended to the development of an optimised flowsheet. Ores from Block F South and Main Block F are reported here. Table 1 summarises key outcomes for typical tests and demonstrates the consistently high proportion of Jumbo flake graphite produced (ranging 51.8-65.6%) at high graphite recovery (96-97%). The results show minor ore variability across the blocks in F for deeper non-oxidised zones of the core. Furthermore, the optimised process flowsheet regularly resulted in a graphite concentrate grade near or above 94% TGC.

Table 3: Size Distributions and Grade of Graphite Concentrate Produced from Metallurgical

Flake Size	Sieve Size		% Distribution by Graphite Mass				
	(microns)	Mesh	Test 126	Test 127	Test 129	Test 130	Test 131
Jumbo	> 300	+ 50	<b>51.8</b>	<b>60.6</b>	<b>64.6</b>	<b>65.6</b>	<b>60.2</b>
Large	180 – 300	+80, -50	<b>27.6</b>	<b>24.1</b>	<b>22.2</b>	<b>22.2</b>	<b>24.1</b>
Medium	150 – 180	+100, -80	6.4	4.8	3.8	4.2	3.6
Fine	< 150	- 100	14.1	10.5	9.5	8.1	12.1
Total			100	100	100	100	100
Ore Tested (interval length metres)			NADD015 (24-74m)	NADD028 (19-137m)	NADD029 (11-64m)	NADD029 (104-127m)	NADD029 (218-277m)

% TGC in Graphite Concentrate	93.1	94.8	94.8	95.2	94.3
% Graphite Recovery to Final Concentrate	96.2	97.0	96.3	96.7	96.1

## CORPORATE

The key corporate events during the period were:

- A capital raising of \$3m before costs was conducted in November 2014 by way of a share placement of 17,647,058 ordinary fully paid shares at an issue price of \$0.17 per share. The raising was used to fund the completion of the Maiden JORC Resource, the PFS and begin the Environmental Study. Logiman Pty (Ltd) has become a substantial shareholder after subscribing for the majority of the placement.
- Two signed off-take agreements were signed with Sinosteel and SINOMA, both occurring in December 2014.

China based SINOMA (a subsidiary of major state owned enterprise China National Materials Group Corporation) has signed a binding off-take agreement with Magnis for 80,000tpa for 5 years with an option to extend. The graphite price will be linked to market prices under the terms and based on the projected basket price, yearly revenues under this agreement equate to over US\$160m or over US\$800m over 5 years. The agreement followed SINOMA's evaluation of graphite samples sent from Magnis and following a Memorandum of Understanding (MOU) for off-take that was signed and announced in July 2014.

China based Sinosteel Liaoning signed a binding off-take agreement with Magnis for 100,000tpa for 10 years with an option to extend for a further 5 years. The graphite price will be linked to market prices under the terms and based on the projected basket price, yearly revenues under this agreement equate to over US\$210m or over US\$2.1b over 10 years. Sinosteel has been involved in the graphite industry for decades and has over eight graphite production facilities producing over 220,000tpa.

Samples from the Nachu Graphite Project were sent to Sinosteel to be tested at their Graphite Processing Plant and the samples were derived from large scale metallurgical work that resulted in an average grade over 95%TGC, with the majority of the product in Super Jumbo, Jumbo and Large flake categories. The agreement followed a MOU for off-take that was signed and announced in September 2014.

## SUSTAINABILITY

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

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



## **DIRECTORS' REPORT (CONTINUED)**

Magnis is committed to best practice in the health, safety, environment and community. During this period an updated programme of consultation with the various regional and district levels of government in Tanzania commenced and continued to period end. The majority of the recent activity has occurred on the Nachu exploration area keeping the local communities updated on the company's activities.

Meetings were also held with the main village committees at Nachu to outline the process of potential mine and processing plant construction and the benefit to local employment and economic growth. These meetings included the Magnis Chief Operations Officer, the Geology team and our Community Liaison Officer.

### **AUDITOR'S INDEPENDENCE DECLARATION**

A copy of the Auditor's Independence Declaration as required under section 307C of the Corporations Act 2001 is set out on page 8.

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

**Frank Poullas**  
**Chairman**  
**Sydney, New South Wales**  
**27 February 2015**

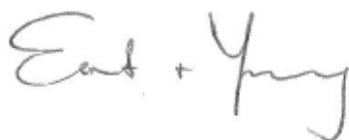


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**Auditor's Independence Declaration to the Directors of Magnis Resources Limited**

In relation to our review of the financial report of Magnis Resources Limited for the half-year ended 31 December 2014, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.



Ernst & Young



Scott Jarrett  
Partner  
Sydney  
27 February 2015



## CONDENSED STATEMENT OF COMPREHENSIVE INCOME

### FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

	NOTE	31-Dec 2014 \$	31-Dec 2013 \$
Income	4	37,368	49,982
Total Income		37,368	49,982
Total expenses	4	(7,258,566)	(2,665,086)
Profit (loss) before income tax		(7,221,198)	(2,615,104)
Income tax (expense) / benefit		-	-
<b>NET INCOME (LOSS) FOR THE PERIOD</b>		<b>(7,221,198)</b>	<b>(2,615,104)</b>
<b>Other comprehensive income (loss)</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		417,731	8,938
<b>Other comprehensive income (loss) for the period net of tax</b>		<b>417,731</b>	<b>8,938</b>
<b>TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD</b>		<b>(6,803,467)</b>	<b>(2,606,166)</b>
Basic (loss) per share (cents per share)		(2.38)	(1.22)
Diluted (loss) per share (cents per share)		(2.38)	(1.22)

## STATEMENT OF FINANCIAL POSITION

**AS AT 31 DECEMBER 2014**

	NOTE	31-Dec 2014 \$	30-Jun 2014 \$
<b>Current Assets</b>			
Cash and cash equivalents		2,026,870	4,652,346
Trade and other receivables	5	1,885,235	1,422,811
<b>Total Current Assets</b>		<b>3,912,105</b>	<b>6,075,157</b>
<b>Non-Current Assets</b>			
Other receivables		74,480	86,385
Property, plant and equipment		88,109	105,647
<b>Total Non-Current Assets</b>		<b>162,589</b>	<b>192,032</b>
<b>TOTAL ASSETS</b>		<b>4,074,694</b>	<b>6,267,189</b>
<b>Current Liabilities</b>			
Trade and other payables		1,481,592	1,023,073
Provisions		977,683	172,196
<b>Total Current Liabilities</b>		<b>2,459,275</b>	<b>1,195,269</b>
<b>Non-Current Liabilities</b>			
Provisions		102,538	155,519
<b>Total Non-Current Liabilities</b>		<b>102,538</b>	<b>155,519</b>
<b>TOTAL LIABILITIES</b>		<b>2,561,813</b>	<b>1,350,788</b>
<b>NET ASSETS</b>		<b>1,512,881</b>	<b>4,916,401</b>
<b>Equity</b>			
Contributed equity	6	66,023,594	62,705,970
Reserves		5,866,792	5,366,738
Accumulated losses		(70,377,505)	(63,156,307)
<b>TOTAL EQUITY</b>		<b>1,512,881</b>	<b>4,916,401</b>

## STATEMENT OF CASH FLOWS

### FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

	31-Dec 2014 \$	Consolidated 31-Dec 2013 \$
<b>Cash flows from operating activities</b>		
Interest received	33,462	21,006
Rent received	5,000	26,086
Grant received	-	-
Payment for exploration expenditure	(4,257,480)	(1,231,671)
Payments to suppliers and employees	(1,742,079)	(1,016,965)
<b>Net cash inflow/ (outflow) from operating activities</b>	<b>(5,961,097)</b>	<b>(2,201,544)</b>
<b>Cash flows from investing activities</b>		
Proceeds from sale of property, plant and equipment	-	631
Receipt of refundable deposit	-	196,087
Payment for property, plant and equipment	(29,033)	(3,363)
<b>Net cash inflow/ (outflow) from investing activities</b>	<b>(29,033)</b>	<b>193,355</b>
<b>Cash flows from financing activities</b>		
Proceeds from issue of shares	3,412,588	2,200,613
Capital raising expenses	(94,964)	(30,517)
<b>Net cash inflow/ (outflow) from financing activities</b>	<b>3,317,624</b>	<b>2,170,096</b>
<b>Net cash inflow/ (outflow) for the reporting period</b>	<b>(2,672,506)</b>	<b>161,907</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>4,652,346</b>	<b>2,012,436</b>
Effect of exchange rates on cash holdings in foreign currencies	47,030	1,489
<b>Cash and cash equivalents at the end of the period</b>	<b>2,026,870</b>	<b>2,175,832</b>

## STATEMENT OF CHANGES IN EQUITY

### FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

	Issued Capital	Options	Share Based Payment Reserves	Foreign Currency Translation Reserve	Accumulated (Losses)	Total Equity
	\$		\$	\$	\$	\$
<b>At 1 July 2014</b>	<b>60,731,048</b>	<b>1,974,923</b>	<b>1,337,579</b>	<b>4,029,159</b>	<b>(63,156,308)</b>	<b>4,916,401</b>
Loss for the period	-	-	-	-	(7,221,198)	(7,221,198)
Other comprehensive income (loss)	-	-	-	417,731	-	417,731
<b>Total comprehensive income for the half-year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>417,731</b>	<b>(7,221,198)</b>	<b>(6,803,467)</b>
<b>Transactions with owners in their capacity as owners</b>						
Share and options issues	3,317,623	-	-	-	-	3,317,623
Options application price transferred on exercise	-	-	-	-	-	-
Cost of share based payments during period	-	-	82,324	-	-	82,324
<b>At 31 December 2014</b>	<b>64,048,671</b>	<b>1,974,923</b>	<b>1,419,903</b>	<b>4,446,890</b>	<b>(70,377,506)</b>	<b>1,512,881</b>
<b>At 1 July 2013</b>	<b>53,920,623</b>	<b>1,695,282</b>	<b>1,069,973</b>	<b>3,785,713</b>	<b>(57,978,932)</b>	<b>2,492,659</b>
Loss for the period	-	-	-	-	(2,615,104)	(2,615,104)
Other comprehensive income (loss)	-	-	-	8,938	-	8,938
<b>Total comprehensive income for the half-year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8,938</b>	<b>(2,615,104)</b>	<b>(2,606,166)</b>
<b>Transactions with owners in their capacity as owners</b>						
Share and options issues	1,891,153	280,703	-	-	-	2,171,856
Options application price transferred on exercise	354	(354)	-	-	-	-
Cost of share based payments during period	-	-	203,772	-	-	203,772
<b>At 31 December 2013</b>	<b>55,812,130</b>	<b>1,975,631</b>	<b>1,273,745</b>	<b>3,794,651</b>	<b>(60,594,036)</b>	<b>2,262,121</b>

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

### 1. CORPORATE INFORMATION

Magnis Resources Limited (the "Company") is a for profit company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange. On the 22nd September 2014 Magnis Resources Limited changed its name from Uranex Ltd. The half-year report for the six months ended 31 December 2014 of the Company was authorised for issue in accordance with a Directors' resolution dated 27 February 2015.

### 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The condensed consolidated financial report for the half-year ended 31 December 2014 has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

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

It is recommended that the half-year financial report be read in conjunction with the annual financial report for the year ended 30 June 2014 and considered with any public announcements made by Magnis Resources Limited during the half-year ended 31 December 2014 in accordance with the continuous disclosure obligations of the ASX Listing Rules.

#### Significant judgements

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

#### (i) New Accounting Standards and Interpretations

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

### 3. GOING CONCERN

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

For the half-year ended 31 December 2014 the Group reported a net loss of \$7,221,198 (2013: \$2,615,104) and net cash outflows of \$2,672,506 (2013: \$161,907 net inflow). As at 31 December 2014, the Group had net current assets of \$1,512,881 (30 June 2014: \$2,131,657) including cash reserves of \$2,026,870 (30 June 2014: \$2,175,832).

The balance of these cash reserves is not sufficient to meet the Group's planned expenditure budget including exploration activities for the 12 months to 31 December 2015. The Group has exploration commitments over the next 12 months totalling \$877,906. In order to fully implement its exploration strategy the Group will require additional funds.

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

### **FOR THE HALF-YEAR ENDED 31 DECEMBER 2014**

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

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

- The successful completion of the sale of its Australian uranium assets;
- A further equity capital raising;
- The potential farm out of participating interests in the Group's tenements; and/or
- The generation of sufficient funds from operating activities including the successful development of the existing tenements.

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

#### 4. INCOME AND EXPENSES FROM ACTIVITIES

	31-Dec 2014 \$	31-Dec 2013 \$
<b>Income</b>		
Interest received	32,368	21,175
Rent received	5,000	26,086
Profit on sale of fixed assets	-	407
Net foreign exchange gain	-	2,314
<b>Total income</b>	<b>37,368</b>	<b>49,982</b>
<b>Expenses</b>		
Audit fees	35,856	58,904
Consulting fees	72,673	7,669
Depreciation	56,578	55,106
Directors fees	144,794	138,733
Employee share remuneration	82,324	203,772
Exploration expenditure	5,330,137	1,269,389
Foreign exchange loss	366,511	-
Insurance	27,100	16,238
Interest paid	-	63
Legal expenses	28,296	36,136
Rental expenses	67,431	48,255
Salaries and wages	358,758	446,355
Staff procurement	-	116
Superannuation	53,243	47,381
Taxes and duties	-	46,665
Travel costs	89,543	63,078
Other expenses	545,322	227,226
<b>Total expenses</b>	<b>7,258,566</b>	<b>2,665,086</b>

#### 5. TRADE AND OTHER RECEIVABLES

	31-Dec 2014 \$	30-Jun 2014 \$
Accrued Interest	267	1,361
Goods and services tax recoverable	1,705,141	1,157,659
Prepayments and other receivables	179,827	263,791
	<b>1,885,235</b>	<b>1,422,811</b>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

#### 6. CONTRIBUTED EQUITY

	31-Dec 2014 \$	30-Jun 2014 \$
Ordinary shares fully paid	64,048,671	60,731,047
Options issued	1,974,923	1,974,923
	<b>66,023,594</b>	<b>62,705,970</b>

During the period the Company raised:

- \$2,970,481 (31 Dec 2013 : \$1,887,616) from the issue of 18,052,294 ordinary fully paid shares net of capital raising costs
- \$347,141 (31 Dec 2013: \$3,538) from the exercise of options and subsequent issue of 6,096,419 ordinary fully paid shares
- \$Nil (31 Dec 2013: \$280,703) from options issued

#### 7. COMMITMENTS AND CONTINGENCIES

In addition to the commitments disclosed in the 30 June 2014 Financial Report, the Group notes the following expenditure commitments during the six months ended 31 December 2014:

	31-Dec 2014 \$	30-Jun 2014 \$
Operating lease	141,228	187,080
Minimum exploration commitments	2,725,916	2,609,080
Remuneration commitments	446,469	174,152
	<b>3,313,613</b>	<b>2,970,312</b>

The operating lease commitment has decreased due to payments made in the ordinary course of business.

The exploration commitment increased due to stronger USD currency against AUD.

The remuneration commitment has increased due to an additional employee.

There are no other material contingent liabilities or contingent assets of the Group at the reporting date.



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

#### 8. SEGMENT INFORMATION

##### Identification of reportable segments

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

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

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

##### Accounting policies and inter-segment transactions

The accounting policies used by the Group in reporting segments internally are the same as those contained in note 1 to the 30 June 2014 financial report and in the prior period. It is the Group's policy that if items of revenue and expense are not allocated to operating segments then any associated assets and liabilities are also not allocated to segments. This is to avoid asymmetrical allocation within segments which management believe would be inconsistent.

The following table presents revenue and profit information for reportable segments for the half-years ended 31 December 2014 and 31 December 2013, and assets and liabilities for reportable segments at 31 December 2014 and 30 June 2014.

	<b>Half-year 31-Dec 2014 Profit Before Tax \$</b>	<b>Half-year 31-Dec 2014 Segment Revenue \$</b>	<b>Half-year 31-Dec 2013 Profit Before Tax \$</b>	<b>Half-year 31-Dec 2013 Segment Revenue \$</b>
<b>Segment results and revenues</b>				
<b>Segments</b>				
Australia	(6,346,321)	246,287	(3,085,195)	92,563
East Africa	(82,754)	13	(4,269,176)	2,419
Inter segment elimination	(792,123)	(208,932)	4,739,267	(45,000)
<b>Consolidated</b>	<b>(7,221,198)</b>	<b>37,368</b>	<b>(2,615,104)</b>	<b>49,982</b>
	<b>31-Dec 2014 Segment Assets \$</b>	<b>31-Dec 2014 Segment Liabilities \$</b>	<b>30-Jun 2014 Segment Assets \$</b>	<b>30-Jun 2014 Segment Liabilities \$</b>
<b>Segment assets and liabilities</b>				
<b>Segments</b>				
Australia	1,778,698	698,272	4,694,465	611,334
East Africa	2,306,878	42,288,834	1,572,815	36,127,976
Inter segment elimination	(10,882)	(40,425,293)	(91)	(35,388,522)
<b>Consolidated</b>	<b>4,074,694</b>	<b>2,561,813</b>	<b>6,267,189</b>	<b>1,350,788</b>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

#### 9. SHARE-BASED PAYMENTS

##### a) Recognised share-based payment expenses

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

	Half-year 31-Dec-14 \$	Half-year 31-Dec-13 \$
Expense arising from equity-settled share-based payment transactions	82,324	203,772
Total expense arising from share-based payment transactions	<b>82,324</b>	<b>203,772</b>

##### b) Summaries of options and rights granted under ESOP

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

	Half-year 31-Dec-14 Number	Half-year 31-Dec-14 WAEP
Outstanding at the beginning of the half-year	20,050,000	0.20
Granted during the period	1,800,000	0.06
Exercised during the period	(4,500,000)	0.04
Expired during the period	(8,375,000)	0.36
Outstanding at the end of the half-year	<b>8,975,000</b>	<b>0.13</b>
Exercisable at the end of the half-year	<b>8,975,000</b>	<b>0.13</b>

#### 10. SUBSEQUENT EVENTS

No other matter or circumstance has arisen since 31 December 2014, which has significantly affected, or may significantly affect the operations of the Group, the result of those operations or the state of the affairs of the Group in subsequent years.

## DIRECTORS' DECLARATION

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

In the opinion of the Directors:

- a. The financial statements and notes of Magnis Resources Limited for the half-year ended 31 December 2014 are in accordance with the Corporation Act 2001, including:
  - i. giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and its performance for the financial half-year ended on that date;
  - ii. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and Corporations Regulations 2001; and
- b. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board.



**Frank Poullas**  
**Chairman**  
**Sydney, New South Wales**  
**27 February 2015**

To the members of Magnis Resources Limited

#### Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Magnis Resources Limited, which comprises the statement of financial position as at 31 December 2014, the condensed statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a statement of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

#### Directors' Responsibility for the Half-Year Financial Report

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

#### Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Magnis Resources Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

#### Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

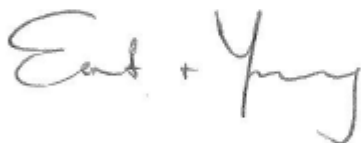
### Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Magnis Resources Limited is not in accordance with the Corporations Act 2001, including:

- a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

### Material Uncertainty Regarding Continuation as a Going Concern

Without qualification to the conclusion expressed above, attention is drawn to the following matter. In the event that the consolidated entity is unable to raise additional funding from the sources as described in Note 3 to the financial report, and based on the current exploration commitments and planned expenditure, there is material uncertainty whether the consolidated entity will continue as a going concern, and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report. The financial report does not include any adjustments relating to recoverability and classification of recorded assets amounts, or to the amounts and classifications of liabilities, that might be necessary should the consolidated entity not continue as a going concern.



Ernst & Young



Scott Jarrett  
Partner  
Sydney  
27 February 2015