MGT MINING LIMITED
AND ITS CONTROLLED ENTITIES

ABN 14 120 236 142

Annual Report for 30 June 2015

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The Directors of MGT Mining Limited ("the Company") submit herewith the annual financial report of the consolidated entity for the financial year ended 30 June 2015. In order to comply with the provisions of the Corporations Act 2001, the directors' report are as follows:

Information about the directors and senior management
The names of the Directors in office at any time during or since the end of the financial period are:

Name	Particulars
Jonathan Paul Back	Executive Chairman, appointed 29 April 2009
Dohn Taylor	Managing Director, appointed 14 March 2012, resigned 12 July 2014.
Gary Kuo	Executive Director, appointed 25 May 2010
Anthony Meacham King	Non-Executive Director, appointed on 8 June 2011

The above named directors held office during the whole of the financial period and since the end of the financial period except for:

Dohn Taylor Resigned 12 July 2014

Background of the MGT Directors and senior management:

Mr Jonathan 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 having won 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 Dohn Taylor– Managing Director
Dohn has over 20 years of management experience in the manufacturing and resources sectors. He has worked with businesses at all stages of development, with extensive involvement in the incubation of strong, sustainable enterprises. Most recently, this includes the management of a start-up engineering company in the Oil and Gas industry in the Middle East, and assisting in the establishment of a clean technology company in Australia. Dohn has an MBA (Finance) has recently received a post-graduate degree in Corporate Governance. He is an Associate Fellow of the Australian Institute of Management, and a Member of the Australian Institute of Company Directors.

Mr Dohn Taylor resigned on 12 July 2014.

Mr Gary Kuo – Executive 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 Anthony King– Non-Executive Director
Mr King is a professional Metallurgist and qualified geologist with over 20 years operational and technical experience within the resource industry. A graduate of the University of Cape Town, South Africa, Mr King worked for Cominco in the mid-70s as a geologist in the field carrying out exploration programs and later held senior positions as Company Chemist for Ardlethan Tin, Gold Copper Exploration Pty Ltd and Great Northern Mining Corporation Ltd. During this time he completed another degree in Earth Science at Macquarie University, Sydney and in 1987 established Tableland Analytical, of which he is principal providing mill, processing design, assay and metallurgical services to the resource industry. Mr King is a former director of Allegiance Mining NL where he was General Manager – Operations. He has also been involved in design and construction of coal washing plants and has participated in a wide variety of resource projects.

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 a small 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.

Jacqueline Butler was appointed as Company Secretary on 14 August 2014, also retaining her role as Chief Financial Officer.

Mr. Alexander Moody - Company Secretary
Mr Alexander Moody has ten years of management and administrative experience in the small business sector. He holds company secretary roles at a number of Australian public resources companies.

Mr Moody holds a Bachelor of International Relations from Bond University, Queensland, and is currently completing an MBA at the Australian Graduate School of Management, University of NSW.

Alexander Moody resigned as Company Secretary and Jacqueline Butler was appointed as Company Secretary on 14 August 2014. Jacqueline Butler also retains her role as Chief Financial Officer.

Directors' shareholdings
No directors own any shares, rights or options in shares of MGT Mining Limited or its subsidiary.

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

Operating Review
The following key activities were undertaken during the financial year ended 30 June 2015:

- In June 2015 the company commenced the first drilling program for 2015 at Pyramid which was completed in August 2015 with excellent results.

- Two new EPM's were granted at the Mount Garnet Project during the June 2015 quarter. EPM25716 'Fuzzy Hill' – 9 subblocks and EPM25347 'Nymbool Extended' – 2 sub-blocks.

- Work continues on development of a new geological model at the Dalcouth prospect as part of a planned resource estimate update.

Significant changes in state of affairs

Alexander Moody resigned as Company Secretary and Jacqueline Butler was appointed as Company Secretary on 14 August 2014. Jacqueline Butler also retains her role as Chief Financial Officer.

Mr Dohn Taylor resigned on 12 July 2014.

On 30 January 2015, MGT Mining Limited signed a Deed of Variation to the Ancillary Agreement for Mining Lease 20547 and 20655 dated 23 September 2011 between the Bar Barrum People #3 and Bar Barrum People #4 and MGT Mining Limited.

The following amendments have been agreed to:

- A new definition of the term "Commencement of Commercial Mining Activity" has been included after the definition of "Commencement Date" which reads:

  > "Commencement of Commercial Mining Activity" means the date that commercial scale mining activities under a Mining Lease first commence on the Mining Lease Areas, which may be evidenced by, but is not limited to, the processing of minerals of any type, nature or grade allowed for by, and mined from, the Mining Leases.

- MGT Mining Limited will pay the Native Title parties a sum of $66,228 in settlement of all outstanding claims that the Native Title Parties might have had against MGT Mining Limited in relation to the monetary payments that would otherwise have been payable by MGT Mining Limited to the Native Title Parties.

- From 1 January 2015 until the Commencement of Commercial Mining Activity, MGT Mining Limited will pay the Native Title Parties an amount equivalent to 3% of the total of the monetary payments (CPI adjusted) that would otherwise have been payable by MGT Mining Limited to the Native Title Parties in the preceding twelve month period, had they been invoiced and had the Amendment Agreement not been amended.

- Upon Commencement of Commercial Mining Activity, MGT Mining Limited will pay the Native Title Parties the full amount of the total of the monetary payments (CPI adjusted) that would otherwise have been payable by MGT Mining Limited to the Native Title Parties had the Amendment Agreement not been amended.

On 31 March 2015, Taimetco International Co., Limited advanced a $1,500,000 secured loan to MGT Mining Limited and the settlement sum of $750,000 was paid to terminate the off-take agreement between MGT Resources Limited and Taimetco International Co., Limited.

On 1 June 2015, MGT Mining Limited changed its registered address and principal place of business to Suite 1305, Level 13, 109 Pitt Street, Sydney, NSW, 2000.

There has been minimal exploration activity during the first three Quarters of the financial year while new funding arrangement were being finalised. During the final Quarter, soil sampling and a drilling program commenced at Pyramid which concluded in August 2015.

Events after the reporting period

On 29 September 2015, MGT Resources Limited, parent entity of MGT Mining Limited, received a signed exercise notice from Auskong International Mining Investment Co., Limited of their intention to exercise their 24,000,000 share options into 24,000,000 fully paid ordinary shares at 5 cents per share for $1,200,000. An Appendix 3B will be lodged with the ASX once the funds have cleared and the fully paid securities have been issued.

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

Future developments

Disclosure of information regarding the likely developments in the operations of the consolidated entity in future financial periods 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 highest 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 (m) of the Notes to the financial statements.

Dividends

There were no dividends paid or declared by the consolidated entity during the financial period (June 2014: nil).

Indemnification of officers and auditors

The Company has insured all the Directors of MGT Mining 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.

Directors' meetings

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

	Board of directors	
Directors	Directors' meetings eligible to attend	Attended
Gary Kuo	1	1
Anthony King	1	1
Jonathan Back	1	1
Dohn Taylor	-	-

Non-audit services

No non-audit services were performed by the auditors during the financial period ended 30 June 2015.

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 part to any such proceedings during the period.

Auditor's independence declaration

The auditor's independence declaration as required under Section 307C of the Corporations Act 2001 is included on page 8 of the financial report.

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

On behalf of the Directors

Gary Kuo
Director
Dated: 30 September 2015

DUNCAN DOVICO

Auditor's Independence Declaration

In accordance with section 307C of the Corporations Act 2001, I declare that, to the best of my knowledge and belief, during the year ended 30 June 2015 there has been:

(i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of MGT Mining Limited and its controlled entities during the year.

DUNCAN DOVICO RISK & ASSURANCE PTY LIMITED

Paul Dovico
Director
Sydney, 30 September 2015

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	Note	Consolidated 30 June 2015 $	Consolidated 30 June 2014 $
Revenue		-	-
Cost of sales		-	-
Gross profit		-	-
Investment Income	3	3,711	2,486
Other gains and losses	4	10,958	11,182
Employee benefits expense		(114,222)	(470,032)
Depreciation and amortisation expense		(259,838)	(335,014)
Interest expense		(465,474)	(293,448)
Administration expense		(159,453)	(202,103)
Impairment losses		(5,237,828)	(1,336,116)
Assets written off		(38,166)	(70,158)
Other expense	5	(472,991)	(471,632)
Loss before tax	6	(6,733,303)	(3,164,835)
Income tax expense/(benefit)		-	-
Loss for the period		(6,733,303)	(3,164,835)
Other comprehensive income			
Change in the fair value of available-for-sale financial assets		1,132	(2,454)
Total comprehensive income		(6,732,171)	(3,167,289)
Loss per share			
Basis (cents per share)	17	(6.30)	(3.07)
Diluted (cents per share)	17	(6.30)	(3.07)

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

	Note	Consolidated 30 June 2015 $	Consolidated 30 June 2014 $
Current assets			
Cash and cash equivalents	20(a)	106,170	99,454
Other assets	7 (a)	68,856	89,403
Inventories		-	38,167
Total current assets		175,026	227,024
Non-current assets			
Other financial assets	7 (b)	3,043	1,909
Exploration and evaluation expenditure	8	3,566,444	8,219,748
Plant & equipment	9	1,761,486	2,076,487
Total non-current assets		5,330,973	10,298,144
Total assets		5,505,999	10,525,168
Current liabilities			
Trade and other payables	10	1,015,266	1,090,692
Provisions	13	100,000	27,498
Unsecured borrowings	11	5,071,004	4,838,709
Total current liabilities		6,186,270	5,956,899
Non-current liabilities			
Provisions	13	76,132	92,502
Secured borrowings	12	1,500,000	-
Total non-current liabilities		1,576,132	92,502
Total liabilities		7,762,402	6,049,401
Net assets/(liabilities)		(2,256,403)	4,475,767
Equity			
Contributed equity	14	14,917,849	14,917,849
Contribution from parents	15(b)	1,924	2,212
Reserves	15(a)	(9,731)	(10,863)
Retained losses	16	(17,166,445)	(10,433,431)
Total equity		(2,256,403)	4,475,767

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

Consolidated

	Fully paid ordinary shares $	Retained Earnings $	Contribution from Parents $	Asset Revaluation Reserve $	Total $
Balance at 1 July 2014	**14,917,849**	**(10,433,431)**	**2,212**	**(10,863)**	**4,475,767**
Loss for the period	-	(6,733,014)	(288)	-	(6,733,303)
Other Comprehensive income for the year, net of income tax	-	-	-	1,132	1,132
Balance at 30 June 2015	**14,917,849**	**(17,166,445)**	**1,924**	**(9,731)**	**(2,256,403)**

	Fully paid ordinary shares $	Retained Earnings $	Contribution from Parents $	Asset Revaluation Reserve $	Total $
Balance at 1 July 2013	**9,759,530**	**(7,404,975)**	**26,865**	**(8,409)**	**2,482,526**
Contributions of equity, net of transaction costs and tax	5,158,319	-	-	-	5,158,319
Loss for the period	-	(3,164,835)	2,212	-	(3,162,623)
Other Comprehensive income for the year, net of income tax	-	-	-	(2,454)	(2,454)
Retained earnings	-	26,864	(26,865)	-	-
Balance at 30 June 2014	**14,917,849**	**(10,433,431)**	**2,212**	**(10,863)**	**4,475,767**

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

	Note	Consolidated 30 June 2015 $	Consolidated 30 June 2014 $
Cash flows from operating activities			
Payments to suppliers and employees		(214,944)	(989,586)
Interest received		933	58
Interest paid		(4,451)	-
Other revenue		2,858	14,434
Net cash used in operating activities	20(b)	(215,604)	(975,094)
Cash flows from investing activities			
Payment for property, plant & equipment		(891)	(108,889)
Cash received from disposal of property, plant and equipment		8,000	-
Payments for exploration costs		(1,004,789)	(2,317,792)
Net cash used in investing activities		(997,680)	(2,426,681)
Cash flows from financing activities			
Net proceeds/(repayment) from related party borrowings		(280,000)	3,475,620
Proceeds from secured loan		1,500,000	-
Net cash provided by financing activities		1,220,000	3,475,620
Net (decrease)/increase in cash and cash equivalents		6,716	73,845
Cash at the beginning of the financial period		99,454	25,609
Cash at the end of the financial period	20(a)	106,170	99,454

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, Australian Accounting Standards and Urgent Issues Group Interpretations, and other authoritative pronouncements of the Australian Accounting Standards Board. The consolidated financial information disclosed in this financial report relates to the period ended 30 June 2015 with comparative information relating to period ended 30 June 2014.

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.

The following accounting policies have been consistently applied to all the periods presented, unless otherwise stated.

(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.

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 2015 the consolidated entity incurred a net loss after tax of $6,733,303 and cash outflows from operating and investing activities of $1,213,284. Furthermore, the parent entity of MGT Mining Limited, MGT Resources Limited has convertible notes of $1,500,000 which will expire and are due for repayment in June 2016 or conversion at any time within a twelve month period prior to June 2016 at 3 cents per option. MGT Resources Limited also has $6,000,000 convertible notes expiring and due for repayment in August 2016 if the share price of MGT Resources Limited is less than 11 cents per share.

The ability of the company to continue as a going concern and to pay their debts as and when they fall due is dependent on the parent entity's ability to raise additional funds through either debt financing or capital raising arrangements or through re-financing options. Further, the Directors have the ability to reduce discretionary expenditure such that the impact on cash outflows is minimised whilst maintaining key operational activities.

On 29 September 2015, MGT Resources Limited, parent entity of MGT Mining Limited, received a signed exercise notice from Auskong International Mining Investment Co., Limited of their intention to exercise their 24,000,000 share options into 24,000,000 fully paid ordinary shares at 5 cents per share for $1,200,000. An Appendix 3B will be lodged with the ASX once the funds have cleared and the fully paid securities have been issued. This funding will allow MGT Resources Limited further time to explore ways of maximising shareholder value in its commitment to making a large scale discovery.

As well as reviewing the Group's existing exploration projects, some of which have exciting prospects such as the Pyramid project, the Directors are also actively researching Joint Venture opportunities. Upon identifying a strategic opportunity of interest, MGT Resources Limited will look to enter into debt restructuring arrangements.

Whilst undertaking this strategic research, the Group will be operating on a restrained scale similar to many smaller ASX listed exploration companies in the current subdued financial climate under lower commodity prices. If necessary, the Group will look to divest some of the Group's unsecured assets via sale.

The Group has a solid history of obtaining support from investors, including in very difficult financial markets. Going forward the Group has a strong expectation of raising capital to fund strategic projects and of being able to successfully restructure its debt.

The Group strongly believes that given its demonstrated ability to raise capital in the past and its strong strategic relationship with Auskong International Mining Investment Co., Limited, that it will continue to raise capital as well as implement debt restructuring steps in order to continue as a going concern.

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</u>
During the year, circumstances indicated that an impairment of the mine infrastructure may have been incurred and accordingly a valuation took place. As a result the Group's mine infrastructure is stated at its recoverable amounts, being fair value less cost to sell and an impairment loss has been recognised. Refer to Note 9.1.

Impairment of capitalised exploration expenditure
During the year, circumstances indicated that an impairment of the exploration expenditure may have been incurred and according a valuation took place. As a result the Group's capitalised exploration expenditure is stated at its fair value less cost to sell and an impairment loss has been recognised. Refer to Note 8.

Provision for repair and maintenance
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.

(b) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of MGT Mining Limited (''Company'' or ''parent entity'') as at 30 June 2015 and entities controlled by the Company for the period then ended. MGT Mining Limited and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another 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 statement of comprehensive income and statement of financial position respectively.

Investments in subsidiaries are accounted for at cost in the individual financial statements of MGT Mining Limited.

(c) Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in the statement of comprehensive income as incurred.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

The interest of minority shareholders in the acquiree is initially measured at the minorities proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

The group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of MGT Resources Limited.

When the group ceases to have control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, jointly controlled entity or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities.

This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss. If the ownership interest in a jointly-controlled entity or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

(d) 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.

Revenue is recognised for the major business activities as follows:

<u>Interest income</u>

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.

(e) Income tax

<u>Current tax</u>
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).

<u>Deferred tax</u>
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 statement of financial position. 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.

<u>Current and deferred tax for the period</u>
Current and deferred tax is recognised as an expense or income in the statement of comprehensive income, 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.

(f) Cash and cash equivalents

Cash and cash equivalents comprise 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.

(g) 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.

<u>Available-for-sale financial assets</u>
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.

<u>Loans and receivables</u>
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 the statement of comprehensive income.

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 statement of comprehensive income. 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 statement of comprehensive income.

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 the statement of comprehensive income. Impairment losses on equity instruments that were recognised in the statement of comprehensive income 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 the statement of comprehensive income, the impairment loss is reversed through the statement of comprehensive income.

(h) Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation and impairment. 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 statement of comprehensive income 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

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the statement of comprehensive income. When re-valued assets are sold, it is group policy to transfer any amounts included in other reserves in respect of those assets to retained earnings.

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.

(i) 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.

(j) 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.

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. Any impairment is recognised as an expense in the statement of comprehensive income.

(k) Trade and other payables

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

(l) 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 the statement of comprehensive income 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 statement of financial position 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 the statement of comprehensive income 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 the statement of comprehensive income, 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.

(m) 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.

(n) 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.

(o) 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 25.

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 capital contributions from Parents reserve.

(p) 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.

(q) 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 group 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.

(r) New accounting standards and interpretations

The new standards, interpretations and amendments are not expected to have a significant impact on the financial statements.

There are no other new and revised Standards and Interpretations adopted in these financial statements affecting the reporting results or financial position.

In the current year, the Group has applied a number of new and revised AASBs issued by the Australian Accounting Standards Board (AASB) that are mandatorily effective for an accounting period that begins on or after 1 July 2014, and therefore are relevant for the current year end.

AASB 2012-3 'Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities'	The amendments to AASB 132 clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realisation and settlement'. As the Group does not have any financial assets and financial liabilities that qualify for offset, the application of the amendments does not have any material impact on the disclosures or on the amounts recognised in the Group's consolidated financial statements.
AASB 2013-3 'Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets'	The amendments to AASB 136 remove the requirement to disclose the recoverable amount of a cash-generating unit (CGU) to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements applicable to when the recoverable amount of an asset or a CGU is measured at fair value less costs of disposal. These new disclosures include the fair value hierarchy, key assumptions and valuation techniques used which are in line with the disclosure required by AASB 13 'Fair Value Measurements'. The application of these amendments does not have any material impact on the disclosures in the Group's consolidated financial statements.
AASB 2013-4 'Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting	The amendments to AASB 139 provide relief from the requirement to discontinue hedge accounting when a derivative designated as a hedging instrument is novated under certain circumstances. The amendments also clarify that any change to the fair value of the derivative designated as a hedging instrument arising from the novation should be included in the assessment and measurement of hedge effectiveness. As the Group does not have any derivatives that are subject to novation, the application of these amendments does not have any material impact on the disclosures or on the amounts recognised in the Group's consolidated financial statements.

AASB 2013-5 'Amendments to Australian Accounting Standards – Investment Entities'

The amendments to AASB 10 define an investment entity and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its consolidated and separate financial statements.

To qualify as an investment entity, a reporting entity is required to:

- obtain funds from one or more investors for the purpose of providing them with investment management services;
- commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- measure and evaluate performance of substantially all of its investments on a fair value basis.

Consequential amendments have been made to AASB 12 and AASB 127 to introduce new disclosure requirements for investment entities.

As the Company is not an investment entity (assessed based on the criteria set out in AASB 10 as at 1 July 2014), the application of the amendments does not have any material impact on the disclosures or the amounts recognised in the Group's consolidated financial statements.

AASB 2014-1 'Amendments to Australian Accounting Standards' (Part A: Annual Improvements 2010–2012 and 2011–2013 Cycles)

The Annual Improvements 2010-2012 has made number of amendments to various AASBs, which are summarised below.

- The amendments to AASB 2 (i) change the definitions of 'vesting condition' and 'market condition'; and (ii) add definitions for 'performance condition' and 'service condition' which were previously included within the definition of 'vesting condition'. The amendments to AASB 2 are effective for share based payment transactions for which the grant date is on or after 1 July 2014.

- The amendments to AASB 3 clarify that contingent consideration that is classified as an asset or a liability should be measured at fair value at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of AASB 9 or AASB 139 or a non-financial asset or liability. Changes in fair value (other than measurement period adjustments) should be recognised in profit and loss. The amendments to AASB 3 are effective for business combinations for which the acquisition date is on or after 1 July 2014.

- The amendments to AASB 8(1) require an entity to disclose judgements made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have 'similar economic characteristics'; and (ii) clarify that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker.

- The amendments to the basis for conclusions of AASB 13 clarify that the issue of AASB 13 and consequential amendments to AASB 139 and AASB 9 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial.

- The amendments to AASB 116 and AASB 138 remove perceived inconsistencies in the accounting for accumulated depreciation/amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

- The amendments to AASB 124 clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

The Annual Improvements 2011-2013 has made number of amendments to various AASBs, which are summarised below.

- The amendments to AASB 3 clarify that the standard does not apply to the accounting for the formation of all types of joint arrangements in the financial statements of the joint arrangement itself.

- The amendments to AASB 13 clarify that the scope of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with, AASB 139 or AASB 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within AASB 132.

- The amendments to AASB 140 clarify that AASB 140 and AASB 3 are not mutually exclusive and application of both standards may be required. Consequently, an entity acquiring investment property must determine whether:

  - the property meets the definition of investment property in terms of AASB 140; and
  - the transaction meets the definition of a business combination under AASB 3.

The application of these amendments does not have any material impact on the disclosures or on the amounts recognised in the Group's consolidated financial statements.

AASB 2014-1 'Amendments to Australian Accounting Standards' (Part B: Defined Benefit Plans: Employee Contributions Amendments to AASB 119)

The amendments to AASB 119 clarify how an entity should account for contributions made by employees or third parties to defined benefit plans, based on whether those contributions are dependent on the number of years of service provided by the employee.

For contributions that are independent of the number of years of service, the entity may either recognise the contributions as a reduction in the service cost in the period in which the related service is rendered, or to attribute them to the employees' periods of service using the projected unit credit method; whereas for contributions that are dependent on the number of years of service, the entity is required to attribute them to the employees' periods of service.

The application of these amendments to AASB 119 does not have any material impact on the disclosures or on the amount recognised in the Group's consolidated financial statements.

Interpretation 21 'Levies'

Interpretation 21 'Levies' Interpretation 21 addresses the issue as to when to recognise a liability to pay a levy imposed by a government. The Interpretation defines a levy, and specifies that the obligating event that gives rise to the liability is the activity that triggers the payment of the levy, as identified by legislation. The Interpretation provides guidance on how different levy arrangements should be accounted for, in particular, it clarifies that neither economic compulsion nor the going concern basis of financial statements preparation implies that an entity has a present obligation to pay a levy that will be triggered by operating in a future period.

The application of this Interpretation does not have any material impact on the disclosures or on the amounts recognised in the Group's consolidated financial statements.

AASB 1031 'Materiality', AASB 2013-9 'Amendments to Australian Accounting Standards' – Conceptual Framework, Materiality and Financial Instruments' (Part B: Materiality), AASB 2014-1 'Amendments to Australian

The revised AASB 1031 is an interim standard that cross-references to other Standards and the 'Framework for the Preparation and Presentation of Financial Statements' (issued December 2013) that contain guidance on materiality. The AASB is progressively removing references to AASB 1031 in all Standards and Interpretations. Once all of these references have been removed, AASB 1031 will be withdrawn. The adoption of AASB 1031, AASB 2013-9 (Part B) and AASB

Accounting Standards' (Part C: Materiality)	2014-1 (Part C) does not have any material impact on the disclosures or the amounts recognised in the Group's consolidated financial statements.

There are no other new and revised Standards and Interpretations adopted in these financial statements affecting the reporting results or financial position.

(s) 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 for annual reporting 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' and AASB 2014-5 'Amendments to Australian Accounting Standards arising from AASB 15'	1 January 2017	30 June 2018
AASB 2014-3 'Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations'	1 January 2016	30 June 2017
AASB 2014-4 'Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation'	1 January 2016	30 June 2017
AASB 2014-6 'Amendments to Australian Accounting Standards – Agriculture: Bearer Plants'	1 January 2016	30 June 2017
AASB 2014-9 'Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements'	1 January 2016	30 June 2017
AASB 2014-10 'Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture'	1 January 2016	30 June 2017
AASB 2015-1 'Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle'	1 January 2016	30 June 2017
AASB 2015-2 'Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101'	1 January 2016	30 June 2017
AASB 2015-3 'Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality'	1 July 2015	30 June 2016
AASB 2015-4 'Amendments to Australian Accounting Standards – Financial Reporting Requirements for Australian Groups with a Foreign Parent'	1 July 2015	30 June 2016
AASB 2015-5 'Amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exception'	1 January 2016	30 June 2017

The new standards, interpretations and amendments are not expected to have a significant impact on the financial statements.

2. Financial risk management

The consolidated group's activities expose it to a variety of financial risks: market risk, credit risk, currency risk and liquidity risk. The consolidated 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 30 June 2015 $	Consolidated 30 June 2014 $
Financial assets		
Cash & cash equivalents	106,170	99,454
Other financial assets	68,856	89,403
Available-for-sale financial asset	3,043	1,910
	178,069	190,767
Financial liabilities		
Accrued liabilities	83,434	539,921
Trade & other payable	194,832	77,771
Related party payable	737,000	473,000
Related party loan	5,071,004	4,838,709
Secured loan	1,500,000	-
	7,586,270	5,929,401

(a) Market risk

i. *Foreign exchange risk*
Consolidated Group Sensitivity – foreign exchange risk
The consolidated entity has no foreign currency exposure risk as at reporting date.

ii. *Price Risk*
The consolidated 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 consolidated 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 ASX and the Canadian stock exchange.

iii. *Interest rate risk*

The consolidated 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**
	30 June 2015 %	**30 June 2015 $**	**30 June 2015 $**	**30 June 2015 $**	**30 June 2015 $**
Financial Assets					
Bank	2.35%	30,033	5	76,132	106,170
Financial Liabilities					
Related party loan	8.00%	-	-	5,071,004	5,071,004
Secured loan	6.5%	-	-	1,500,000	1,500,000

	Weighted average effective interest rate	Non interest bearing	Floating interest	Fixed interest rate	Total
	30 June 2014 %	30 June 2014 $	30 June 2014 $	30 June 2014 $	30 June 2014 $
Financial Assets					
Bank	2.50%	23,304	18	76,132	99,454
Financial Liabilities					
Related party loan	8.00%	-	-	4,838,709	4,838,709

Consolidated Group Sensitivity – interest rate risk

The following sensitivity analysis has been based on the interest rate risk exposures in existence at 30 June 2014, had the variable interest rate on cash balances increased by 100 basis points and decreased by 50 basis points. The effect is calculated on period end balances and the impact on pre-tax loss is outlined below.

	Consolidated 30 June 2015 $	Consolidated 30 June 2014 $
+ 1% (100 basis points)	761	762
-0.5 % (50 basis points)	(381)	(381)

(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 2015 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 consolidated group's policy is to invest its cash and cash equivalents with financial institutions having a credit rating of at least AAA.

	Consolidated 30 June 2015 $	Consolidated 30 June 2014 $
Cash at bank and short-term bank deposits	106,170	99,454
	106,170	99,454

(c) Foreign currency risk

During the current or prior period, there were no foreign currency transactions.

(d) Liquidity risk

Liquidity risk arises from the possibility that there will not be sufficient funds available to make payment as and when required. The consolidated group manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Maturities of financial liabilities

The tables below show analyses of the consolidated Group's financial liabilities, with 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 2015	**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	194,832	-	-	-	-	194,832
Related Party Payable	132,000	132,000	225,500	247,500	-	737,000
Interest bearing						
Related Party Borrowings	5,071,004	-	-	-	-	5,071,004

30 June 2014	**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	77,771	-	-	-	-	77,771
Related Party Payable	126,500	99,000	247,500	-	-	473,000
Interest bearing						
Related Party Borrowings	4,838,709	-	-	-	-	4,838,709

(e) Fair value of financial instruments

The directors consider that the carrying amounts of financial assets and financial liabilities recognised at amortised cost in the financial statements were stated at approximate their fair values.

3. Investment income	Consolidated 30 June 2015 $	Consolidated 30 June 2014 $
Interest revenue	3,711	2,486
	3,711	2,486

4. Other gains and losses		
Fuel Tax Rebate	2,858	14,434
Gain/(loss) on disposal of property, plant and equipment	8,100	(3,252)
	10,958	11,182

	Consolidated 30 June 2015 $	Consolidated 30 June 2014 $
5. Other expenses		
Marketing expenses	-	-
Vehicle and Freight Costs	20,066	46,136
Repairs and Maintenance Costs	110,886	19,957
Travel Expense	8,434	18,419
Legal and Professional Expense	24,173	75,628
Related Party Management fee	240,000	205,000
Other Expenses	69,432	106,492
	472,991	471,632

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	(6,733,303)	(3,164,835)
Income tax expense calculated at 30%	(2,019,991)	(949,451)
Non-deductible/(taxable) items	38,166	(1,846,607)
	(1,981,825)	(2,796,058)
Tax losses and temporary difference not recognised	1,981,825	2,796,058
	-	-

(b) Unused tax losses for which no deferred tax assets has been recognised	19,510,850	17,000,213
Temporary differences for which no deferred tax liability has been recognised:		
- Exploration expenditure	-	(8,219,748)
	19,510,850	8,780,465
Potential tax benefit at 30%	5,853,255	2,634,140

7. Other assets

	Consolidated 30 June 2015 $	Consolidated 30 June 2014 $
(a) Current		
Prepayments	30,232	23,800
GST	35,509	60,769
Accrued Income	3,115	4,834
	68,856	89,403
Available for sale investments carried at fair value:		
(b) Non-Current		
Financial assets	3,043	1,909
	3,043	1,909

8. Exploration and evaluation expenditure

Costs carried forward in respect of areas of interest in the exploration and evaluation phase:

Balance at the beginning of the year	8,219,748	5,845,931
Expenditure capitalised	1,080,370	2,443,975
Tenement abandonment	-	(70,158)
Reclassification of assets to property, plant and equipment	(60,133)	-
Release of prior period Native Title accruals	(551,898)	-
Tenement impairment	(5,121,643)	-
Balance at the end of the year	3,566,444	8,219,748

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. The ultimate recoverability of exploration and evaluation expenditure is dependent upon the successful development or 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, details of which were announced to the ASX.

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 preferred value by Veronica Webster Pty Ltd given to the property, plant and equipment, tin and gold properties was $6,850,000. 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 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 – 0.55% Sn
- Tin price – Potential project economies were examined at a range of tin prices from US$20,000 to US$30,000.
- A$/US$ exchange rate of 0.88
- 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 $500,000 over 18 months
- Mining strip ratio of 4:1
- Mining costs of $19.6/tonne of ore mined
- Processing cost of $25.4/tonne milled
- Smelter return of 82% (includes charge for impurities)
- Plant recovery of 74.8%
- Tin concentrate grade of 60%
- Discount rate of 20%

The review led to the recognition of an impairment loss of $4,021,297 in the statement of profit or loss in the half year to 31 December 2014.

During August 2015 Veronica Webster Pty Ltd updated their October 2014 independent valuation of the tin properties to provide MGT Resources Limited with a valuation effective 30 June 2015. The resulting valuation was adjusted to take account of:

- Changes in the spot tin price (down 30%)
- Change in analyst's expectations of the long term tin price (down 20% approximately)
- General reduction in value of mining/exploration projects (down 20%)
- Changes in the A$/USD exchange rate (improved by 17%)

In Veronica Webster Pty Ltd opinion the current market would pay a range between nil and $4,000,000 for the tin properties on the valuation date. The Board has determined the most appropriate fair value of the tin assets, within the range, to be $2,750,000. 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 August 2015 review led to the recognition of a further impairment of $1,100,346 in the statement of profit or loss in the year to 30 June 2015, the total impairment for the year ended 30 June 2015 being $5,121,643.

9. Plant and Equipment

	Office equipment $	Mine infrastructure $	Motor vehicle $	Total $
At 30 June 2015				
Cost	463,949	3,770,811	269,317	4,504,077
Accumulated depreciation and impairment	(344,572)	(2,188,678)	(209,341)	(2,742,591)
Net book value	119,377	1,582,133	59,976	1,761,486
Period ended 30 June 2015				
Balance at the beginning of the financial period:	185,127	1,800,285	91,075	2,076,487
Additions	891	-	-	891
Reclassification from exploration	-	60,132	-	60,132
Impairment loss recognised in profit and loss	-	(116,185)	-	(116,185)
Depreciation expense	(66,641)	(162,099)	(31,099)	(259,839)
Balance at the end of the financial period	119,377	1,582,133	59,976	1,761,486

	Office equipment $	Mine infrastructure $	Motor vehicle $	Total $
At 30 June 2014				
Cost	463,058	3,770,811	269,317	4,503,186
Accumulated depreciation	(277,931)	(1,970,526)	(178,242)	(2,426,699)
Net book value	185,127	1,800,285	91,075	2,076,487
Period ended 30 June 2014				
Balance at the beginning of the financial period:	225,713	3,269,409	143,607	3,638,729
Additions	28,535	86,299	3,124	117,958
Disposals	-	-	(9,070)	(9,070)
Impairment loss recognised in profit and loss	-	(1,336,116)	-	(1,336,116)
Depreciation expense	(69,121)	(219,307)	(46,586)	(335,014)
Balance at the end of the financial period	185,127	1,800,285	91,075	2,076,487

9.1 Impairment loss recognised in the year

The Group's mine infrastructure is stated at its recoverable amounts, being the fair value less cost for sale (not expected to be material) at the date of revaluation. This is due to the fact that the infrastructure has been idle during the current year and the preceding year. The fair value measurements of the Group's mine infrastructure as at 30 June 2015 were performed by Andrew Nock Pty Limited, independent valuers not related to the Group and determined to be $1,542,820 (2014: $1,784,283). 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 valuation is based on the assumption that the mill plant is operational. Andrew Nock Pty Limited are members of the Auctioneers and Valuers Association of the Institute of Australia.

The review led to the recognition of an impairment loss of $116,186 in 2015 (2014: $1,336,116) in the statement of profit or loss.

The fair value of the mine infrastructure was determined based the depreciated replacement cost approach with reference to unobservable inputs in the table below:

Valuation technique	Significant unobservable inputs	Range of unobservable inputs	Relationship to fair value
Depreciated replacement cost	Consumed economic benefit/obsolescence of asset	Depreciation rate/useful life	Greater consumption of economic benefit or increased obsolescence lowers fair value
	Estimate of current replacement costs, reliance upon historic cost	Replacement cost component of depreciated replacement cost	Higher replacement cost increases fair value

	Consolidated 30 June 2015 $	Consolidated 30 June 2014 $
10. Trade and other payables		
Trade payables	176,203	77,771
Intercompany payables	737,000	473,000
Accruals and other payables	102,063	539,921
	1,015,266	1,090,692

Included within accrued expenses is an accrual of $3,091 (2014: $397,000) for compensations due under the terms of the native title agreement. On 30 January 2015, MGT Mining Limited signed a Deed of Variation to the Ancillary Agreement for Mining Lease 20547 and 20655 dated 23 September 2011 between the Bar Barrum People #3 and Bar Barrum People #4 and MGT Mining Limited. On 6 February 2015, MGT Mining Limited paid the Native Title parties a sum of $66,228 in settlement of all outstanding claims that the Native Title Parties might have had against MGT Mining Limited in relation to the monetary payments that would otherwise have been payable by MGT Mining Limited to the Native Title Parties.

From 1 January 2015 until the Commencement of Commercial Mining Activity, MGT Mining Limited will pay the Native Title Parties an amount equivalent to 3% of the total of the monetary payments (CPI adjusted) that would otherwise have been payable by MGT Mining Limited to the Native Title Parties in the preceding twelve month period, had they been invoiced and had the Amendment Agreement not been amended.

		Consolidated 30 June 2015 $	Consolidated 30 June 2014 $
11. Unsecured borrowings			
Current			
Related party loan	(i)	5,071,004	4,838,709
		5,071,004	4,838,709

(i) An intercompany loan agreement between MGT Resources Limited, the ultimate parent company, and MGT Mining Limited, was signed on 21 March 2012 agreeing to a 8% per annum interest rate charge on all outstanding intercompany loan money advance up to the date of signing of the intercompany loan agreement and on future loan money extended. (Refer to Note 19d)

12. Secured borrowings			
Non-current			
Secured loan		1,500,000	-
		1,500,000	-

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

On 30 March 2015 Taimetco International Co., Limited advanced monies of $750,000 to MGT Mining Limited under the $1,500,000 secured loan agreement signed on 6 February 2015. On 31 March 2015, MGT Resources Limited paid the settlement sum of $750,000 to MGT Mining Limited to terminate the off-take agreement between MGT Resources Limited and Taimetco International Co., Limited bringing the total amount owing by MGT Mining Limited to Taimetco International Co., Limited under the secured loan agreement to $1,500,000.

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

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

- ML 20547 Summer Hill
- ML 4349 Mt Veteran
- EPM 16948 Nymbool
- EPM 25433 Nanyetta
- EPM 25690 Nymbool West
- EPM 25716 Fuzzy Hill
- EPM 25347 Nymbool Extended

13. Provisions

	Consolidated 30 June 2015 $	Consolidated 30 June 2014 $
Current		
Employee benefits (i)	-	27,498
Repair and maintenance (iii)	100,000	-
	100,000	27,498
Non -Current		
Employee benefits	-	16,370
Mine rehabilitation and restoration (ii)	76,132	76,132
	76,132	92,502
Disclosed in the financial statements as:		
Current provisions	100,000	27,498
Non-current provisions	76,132	92,502
	176,132	120,000

(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 this using current restoration standards and techniques.

When this liability is recognised, an asset is also recognised as part of the development costs of the mine and is amortised across the same useful life. To date, no amortisation of such cost has been recognised due to the amount being immaterial.

(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. Although the ultimate cost to be incurred is uncertain, the provision represents managements best estimate. Management is still in the process of seeking engineering quotes.

14. Contributed equity

	Consolidated 30 June 2015 $	Consolidated 30 June 2014 $
(a) Share capital		
106,886,708 fully paid ordinary shares (30 June 2014: 106,886,708)	14,917,849	9,759,530
New shares issued	-	5,158,319
	14,917,849	14,917,849

(b) Movements in number of ordinary shares	No. of shares	Issue Price	No. of shares
Opening balance	106,886,708		83,175,758
August 2013 issue of shares	-	0.22	23,710,950
Total	106,886,708		106,886,708

	Consolidated 30 June 2015 $	Consolidated 30 June 2014 $
15. Reserves		
(a) Revaluation reserve		
Balance at beginning of financial period	(10,863)	(8,409)
Revaluation increments/(decrements)	1,132	(2,454)
Balance at end of financial period	(9,731)	(10,863)
(b) Contribution from parent entity		
Balance at beginning of financial period	2,212	26,865
Share options issued	-	2,212
Transfer to retained earnings	(288)	(26,865)
Balance at end of financial period	1,924	2,212
16. Retained earnings		
Balance at beginning of financial period	(10,433,431)	(7,295,460)
Net loss attributable to members of the parent entity	(6,733,014)	(3,164,835)
Retained earnings	-	26,864
Balance at end of financial period	(17,166,445)	(10,433,431)

17. Earnings per share	Cents per share	Cents per share
Basis earning per share	(6.30)	(3.07)
Diluted earnings per share	(6.30)	(3.07)
Basis earning per share	$	$
The earning and weighted average number of ordinary shares used in the calculation of basis earning per share are as follows:		
Net loss	(6,733,303)	(3,164,835)
Earning used in the calculation of basic EPS from continuing operations		
	No.	No.
Weighted average number of ordinary shares for the purpose of basic earnings per share	106,886,708	103,053,979
Diluted earnings per share	$	$
The earning and weighted average number of ordinary shares used in the calculation of diluted earning per share are as follows:		
Net loss	(6,733,303)	(3,164,835)
Earning used in the calculation of diluted EPS from continuing operations		
	No.	No.
Weighted average number of ordinary shares for the purpose of diluted earnings per share	106,886,708	103,053,979

18. Commitments

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 30 June 2015 $	Consolidated 30 June 2014 $
No later than 1 year	404,203	735,269
Later than 1 year and not later than 5 years	796,438	725,531
Later than five years	-	-
	1,200,641	1,460,800

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.

19. Related party transactions

(a) Parent entity

The ultimate parent entity for the consolidated entity is MGT Resources Limited.

MGT Resources Limited is a public company listed on the ASX, and held 89.48% of the issued Shares (2014: 86.48%) in MGT Mining Limited as at 30 June 2015.

(b) Subsidiary

Name of subsidiary	Country of incorporation	Ownership interest 30 June 2015 %	Ownership interest 30 June 2014 %
Garimperos Pty Limited	Australia	100%	100%

(c) Key management personnel

Disclosures relating to key management personnel are set out in Note 23.

(d) Transactions with related parties

	Consolidated 30 June 2015 $	Consolidated 30 June 2014 $
Loan from MGT Resources Limited		
Beginning of the year	4,838,709	6,227,959
Loan offset (see note 20a)	-	(5,158,318)
Personnel oncharge	75,580	66,210
Loan advanced	1,200,000	3,409,410
Loan repaid	(1,480,000)	-
Loan interest	436,715	293,448
End of the year	5,071,004	4,838,709

(e) Other related parties

Anthony King, Director of MGT Mining Limited, provided metallurgist services to MGT Mining Limited through his company, Tableland Analytical Pty Ltd for a total value of $3,300 (inc GST) during the period to 30 June 2015 (2014: $28,219).

These services were provided on terms and conditions no more favourable than those which it is reasonable to expect would have been adopted if dealing with an unrelated individual at arm's length in the same circumstances.

20. Notes to the statement of cash flows

(a) Reconciliation of cash and cash equivalents

For the purpose of the statement of cash flow, cash and cash equivalents included cash on hand and in bank. Cash and cash equivalents at the end of the financial period as shown in the statement of cash flow is reconciled to the related items in the statement of financial position as follows:

	Consolidated 30 June 2015 $	Consolidated 30 June 2014 $
Cash and cash equivalents	106,170	99,454
	106,170	99,454

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

Loss for the period	(6,733,303)	(3,164,835)
Non-cash flow items		
Exploration expenditure written off	-	70,158
Accrued interest on term deposit	(2,778)	(2,429)
Depreciation expense	259,838	335,014
Interest expenses on intercompany loan and secured borrowings	461,023	293,448
Impairment loss	5,237,828	1,336,116
Other	(8,000)	2,213
(Increase)/decrease in inventory	38,166	(6,585)
(Increase)/decrease in receivables	23,325	(32,325)
Increase in trade payables	452,164	202,600
Increase/(decrease) in provision	56,133	(8,469)
Net cash from operating activities	(215,604)	(975,094)

21. Parent entity disclosure

(a) Financial position

	30 June 2015 $	30 June 2014 $
Assets		
Current assets	175,026	227,024
Non-current assets	5,330,973	10,188,629
Total assets	5,505,999	10,415,653
Liabilities		
Current liabilities	6,186,270	1,118,190
Non-current liabilities	1,576,132	4,931,210
Total liabilities	7,762,402	6,049,400
Net assets/(liabilities)	(2,256,403)	4,366,253
Equity		
Contributed equity	14,917,849	14,917,848
Retained earning	(17,166,445)	(10,542,944)
Contribution from parents	1,924	2,212
Investment revaluation	(9,731)	(10,863)
Total equity	(2,256,403)	4,366,253

(b) Financial performance

	30 June 2015 $	30 June 2014 $
Loss for the period	(6,733,303)	(3,605,168)
Other comprehensive income, net of tax	1,132	(2,454)
Total comprehensive income	(6,732,171)	(3,607,622)

(c)Contingent liability of the parent entity

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

22. Auditors' remuneration

	Consolidated 30 June 2015 $	Consolidated 30 June 2014 $
<u>Audit services</u>		
Audit and review of financial reports	15,180	22,500
Non-audit services	-	-
	15,180	22,500

23. Key management personnel disclosures

23.1 Key management personnel compensation

The aggregate compensation made to directors of the company is set out below:

	Consolidated 30 June 2015 $	Consolidated 30 June 2014 $
Short-term employee benefits	53,468	200,000
Post-employment benefits	3,544	18,500
Other long-term benefits	-	-
Termination benefits	20,769	-
Share-based payment	-	24,480
	77,781	242,980

24. Share-based payments

(a) Employee share option plan

MGT Mining Limited executives and senior employees partake in their parent entity, MGT Resources Limited's ownership-based compensation scheme for executives and senior employees. In accordance with the terms of the plan, 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 MGT Resources Limited 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 for MGT Mining Limited executives and senior employees during the current and prior reporting periods:

Issuing entity	Grant date	Expiry date	Exercise price $	Fair value at grant date $	Vesting date
MGT Resources Limited (parent entity of MGT Mining Limited)	14 Jun 2011	14 Jun 2014	0.25	0.1074	14 Jun 2011
MGT Resources Limited (parent entity of MGT Mining Limited)	17 Dec 2013	17 Dec 2016	0.15	0.0288	Vests 17 Dec 2015 and provided that the eligible recipient is employed by the group on that date

Movements in share options during the year

The following reconciles the share options outstanding at the beginning and end of the year for MGT Mining Limited executives and senior employees:

	2015		2014	
	No. of options	Weighted average exercise price $	No. of options	Weighted average exercise price $
Balance at beginning of year	575,000	0.15	250,000	0.25
Granted during the year	-	-	1,100,000	0.15
Exercised during the year	-	-	-	-
Expired during the year	(75,000)	0.15	(775,000)	0.18
Balance at end of the year	500,000	0.15	575,000	0.15
Exercisable at end of year	-		-	

25. Events after the reporting period

On 29 September 2015, MGT Resources Limited, parent entity of MGT Mining Limited, received a signed exercise notice from Auskong International Mining Investment Co., Limited of their intention to exercise their 24,000,000 share options into 24,000,000 fully paid ordinary shares at 5 cents per share for $1,200,000. An Appendix 3B will be lodged with the ASX once the funds have cleared and the fully paid securities have been issued.

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

26. Company details

Principal place of business
Suite 1305, Level 13,
109 Pitt Street, Sydney NSW 2000

Registered office
Level 12, 90 Arthur Street
North Sydney NSW 2060

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, the Corporations Regulations 2001 and other mandatory professional reporting requirements and giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the financial period ended on that date;

(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

Gary Kuo
Director

Dated:
30 September 2015

DUNCAN DOVICO

Independent Auditor's Report to the members of MGT Mining Limited

Report on the Financial Report

We have audited the accompanying financial report of MGT Mining Limited (the company) and its controlled entities which comprises the consolidated statement of financial position as at 30 June 2015, and the consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year ended 30 June 2015.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretation) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the consolidated financial statements and notes, complies with International Financial Reporting Standards.

Auditor's Responsibility

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.

Independence

In conducting our audit, we have complied with independence requirements of the *Corporations Act 2001*.

Basis for Disclaimer of Opinion

The company had a net current liability of \$6,011,244 (2014: \$5,729,875) as at 30 June 2015 and incurred a net loss of \$6,733,303 (2014: 3,164,835) for the financial year then ended. The company is reliant on MGT Resources Limited (MGTR) for financial support. At the date of signing the annual report MGTR has been unable to obtain any undertaking in relation to the re-negotiation or obtain replacement financing for convertible notes maturing over the next 12 months. The inability of MGTR to obtain replacement financing and new funding to support new expenditure including the provision of funding to the company results in significant uncertainty as to the going concern basis for preparation of the financial report for the year ended 30 June 2015. We have been unable to obtain sufficient appropriate audit evidence as to whether the company may be able to obtain alternative financing, and hence remove significant doubt of its ability to continue as a going concern within 12 months of the date of this auditor's report.

DUNCAN DOVICO

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.

DUNCAN DOVICO RISK & ASSURANCE PTY LIMITED

Paul Dovico
Director
Sydney, 30 September 2015