Magnis Resources
LIMITED

2016
ANNUAL REPORT

CORPORATE DIRECTORY

ABN 26 115 111 763

DIRECTORS
F Poullas
(Chairman)

J C Jooste-Jacobs
(Non-Executive Director)

P Tsegas
(Non-Executive Director)

C Johnstone
(Non-Executive Director)

L Eldridge
(Executive Director)

CHIEF EXECUTIVE OFFICER
F Houllis

COMPANY SECRETARY
D N Richardson

FINANCIAL CONTROLLER
P C Tju

REGISTERED OFFICE
Suite 4.03, 1 Alfred Street
Sydney NSW 2000 Australia
Tel +61 2 8397 9888
Fax +61 2 8397 9801

TANZANIA OFFICE
No 4, Zambia Rd, Oyster Bay
Dar es Salaam, Tanzania
Tel +255 225 500 023

INTERNET ADDRESS
www.magnis.com.au

EMAIL ADDRESS
info@magnis.com.au

SHARE REGISTER
Link Market Services
Tower 4, 727 Collins Street
Docklands VIC 3008 Australia
Tel 1300 554 474
Fax +61 3 9287 0303

AUDITORS
BDO East Coast Partnership,
Level 11, 1 Margaret Street
Sydney NSW 2000 Australia
Tel +61 2 9251 4100

BANKERS
National Australia Bank Ltd
Level 3, 255 George Street
Sydney NSW 2000 Australia
Tel +61 2 9237 9958

STOCK EXCHANGE LISTING/ASX
Magnis Resources Limited shares (code MNS) are listed on the Australian Securities Exchange.
Magnis also has listed options (code MNSO) with an exercise price of 9.533 cents expiring 31 May 2017.

THE COMPANY

Contents

The Company

Magnis is an Australian based company in the business of exploring for, developing, and ultimately mining natural flake graphite for use in various industries including in particular, batteries for storing electrical energy.

The flagship project is the Nachu Graphite Project located in south east Tanzania, circa 220km from the sea port town of Mtwara. The excellent purity levels shown at the metallurgical testing stages combined with the good proportion of super jumbo, jumbo and large flake natural graphite make the Project very unique and demands premium prices in the market.

Extensive battery testing has occurred in the past year on the Nachu graphite and outstanding results have been achieved to date with potential end users extremely interested in further examining the qualities and performance of the Nachu graphite to be used in the anode for lithium-ion batteries.

A recent Bankable-Feasibility Study (BFS) conducted shows the post-tax Net Present Value of Nachu to be US$1.69B. Further details of the BFS were released to the ASX on 31 March 2016 and are mentioned in this Annual Report.

A Special Mining Licence and necessary environmental permits were issued to Magnis during the reporting period to allow the Company to focus on finalising substantial offtake agreements and to commit to project finance and commence the construction of a processing plant and mining facilities. Infrastructure agreements for power and port access have also been reached.

The Company is well supported by an experienced board and management team with specific skills in the project development, from the exploration phase through to mining and production.

Annual General Meeting

The 2016 Annual General Meeting of the members of Magnis Resources Limited will be held at The York Conference and Function Centre, Level 2, 99 York Street, Sydney NSW 2000 on Friday 21 October 2016 at 10:00am. A formal notice of meeting and proxy form will be mailed separately to all shareholders. Light refreshments will be served at the conclusion of the meeting.

CHAIRMAN'S STATEMENT

Dear Shareholders,

The progress made in the pre-development phases for the Nachu Graphite Project in Tanzania during the 2015/2016 Financial Year has been outstanding and this is following a significant milestone year for the previous reporting period. The Company goes from strength to strength and the Board and Management have been on a steep learning curve in the graphite space, particularly in the research and development area that graphite attributes in the lithium-ion battery industry. This is a crucial requirement where the majority of Nachu graphite feedstock will be targeted at supplying for the rapidly advancing technology world.

Looking back on some of the major achievements made in the past year, the notables were:

1. Bankable Feasibility Study was released and delivered on time. Project economics confirm Nachu as being a robust, high returning graphite project with a premium quality product.
2. Updated Mineral Resource released for Nachu containing 174Mt at 5.4% Graphitic Carbon (Cg) at 3% Cg cut-off grade. 71% or 124 Mt classified as Measured or Indicated Resources and the Mineral Resource now contains over 9.3Mt of contained graphite, an increase of over 14%.
3. Outstanding results achieved from the Nachu Graphite when used in the performance of testing lithium-ion batteries which exceeds the performance of synthetic graphite. Purity levels are exceptionally high with the natural flake graphite that the Nachu deposit contains. Spherical Coated Graphite at 99.99% TGC purity was achieved without the use of environmentally unsafe chemicals and the added benefit of no chemical treatment is a substantial cost saving in the end product and also greater yields (i.e lower feedstock required to produce anode quality graphite).
4. Infrastructure agreements for power and ports were signed in recent months in preparation for future construction and operation of the Nachu Graphite Project.
5. The Non-Core Uranium Assets that the Company held were divested and demerged thus unlocking the value of these assets into another company. Eligible shareholders were given an in-specie distribution in the newly created company. This allows Magnis to have a clear focus on graphite and also creates more cordial opportunities to discuss business with potential end users of lithium-ion batteries that need to be aware of environmental and social media issues and dealing with companies that are environmentally conscious.

I want to take this opportunity to thank the Board members for their continuing efforts. During December last year, Mr Stephen Hunt resigned from the Board to pursue other opportunities and I thank him for his efforts in assisting the Company for many years. Mr Colin (Cobb) Johnstone and Mr Len Eldridge were appointed to the Board in May this year adding a wealth of skill and experience with major mining and finance companies respectively and I welcome Cobb and Len to the Board and look forward to their significant contributions to Magnis during this very exciting period. Overall, our Board remains very hands on and a testament as to why the Company is in a strong position.

Our management team both locally and overseas have done a superb job, especially with all the metallurgical testwork, permitting work and community work overseas along with financial reporting, governance and conducting investment related presentations to financial and capital markets. An authentication of this is the recent inclusion of Magnis into the S&P/ASX 300 Index (just six months earlier we were included into the All Ordinaries Index for the first time) and this shows the Company has certainly come a long way in such a short period with the focus on our Nachu Graphite Project.

CHAIRMAN'S STATEMENT

Working with the Tanzanian Government and the local community once again has provided productive relationships and we look forward to building on these with recent approvals in attaining an Environmental Certificate for Nachu, our Special Mining Licence approval and the two key infrastructure agreements.

We also thank the ongoing support of our faithful shareholders, especially the holders of the listed options that converted and exercised their options to Magnis shares. This provided valuable capital to the Company and resulted in minimal share equity raisings for the past reporting period compared to recent years.

The year ahead, particularly in the lithium-ion battery sector that is expected to be determined with the growth in electric vehicle and power storage markets, looks very exciting for Magnis and we are well positioned to take advantage of opportunities such as supplying these markets with a high quality graphite product.

Chairman,

F. Poullas

Frank Poullas

REVIEW OF OPERATIONS

The Nachu Graphite Project based in the south-east of Tanzania, continues to develop with key achievements and progress made in the past financial year.
This review of operations will highlight some of these and is to be preceded by some graphite industry related developments, particularly around the use of lithium-ion batteries in the electric vehicle (EV) and power storage market for households and businesses.

Graphite Industry Developments

- China continues to the be major supplier to the world for graphite with around 70% of total natural supply, but is also a net importer with growing consumption needs in their industry. Given environmental concerns, consistency issues and marginal economics on the majority of their lower quality natural graphite mines, some operations are being shut down or consolidated and further closures to Chinese graphite mines are expected.

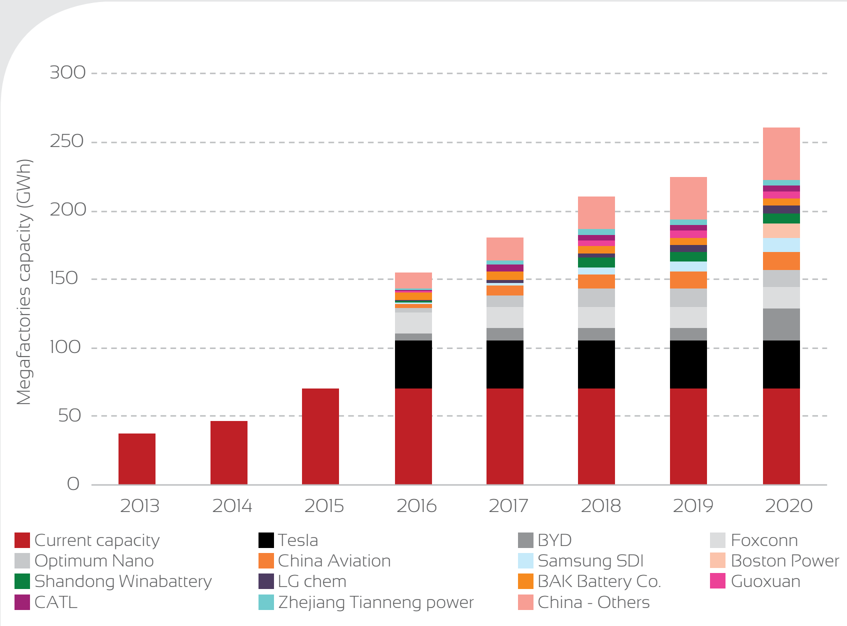
- While supply out of China is slowing, demand is growing strongly through new technology from significant end users. In addition to this, end users are seeking greater diversity of supply.

- The global graphite market currently is ~2.2 mtpa and approximately 50% comprises natural graphite (flake and amorphous sources) with the key producers China, India and Brazil. Synthetic graphite made from petroleum coke makes up the remainder and is energy intensive and hence expensive and not environmentally friendly although total graphite content levels are high. The demand for natural graphite is expected to increase rapidly with the new technology advancements and the natural-for-synthetic displacement potential is very high

- The key graphite end uses are battery anodes (high growth market), expandable graphite (high growth), composites, refractory and foundry, steel markets, gaskets, seals, brake linings and lubricants.

- There is a global movement towards the adoption of cleaner energy technology via means such as transport and energy storage.

- Western world and Chinese investment is strong in battery 'mega-factories' and this will increase competition for raw materials such as graphite, lithium and cobalt. Most mega-factory capacity forecasts have been largely representative of current EV visibility only and this is just the beginning given the possibilities with energy storage.



Significant investment underway in the battery supply chain. Source: Deutsche Bank, May 2016

REVIEW OF OPERATIONS

The Volkswagen strategy highlights the structural shift towards electrical vehicles with a target of 20%-25% of group sales in 2025 that implies annual sales of between 2m-3m EVs. To support this strategy, the fleet requirements of ~150Gwh by 2025 equates to ~165ktpa anode material or ~165ktpa spherical graphite. Based on current Chinese flake yields into spherical graphite of 30-40%, this would equate to ~470ktpa of natural graphite showing what possible demand presents itself in the industry.

As the Nachu Graphite Project progresses, the Board is focused on the growth of the Company to support the expected growth in the graphite or battery powered industries and be a key member of the supply chain.

NACHU GRAPHITE PROJECT

(MAGNIS 100%), TANZANIA

The Nachu Project is located near Ruangwa, in Southern Tanzania and approximately 220km to the Tanzanian port of Mtwara.

In the past 12 months to 30 June 2016 an extensive programme was undertaken. Flowing from this, the Company achieved the following milestones:

Nachu Updated Mineral Resource Estimate and Ore Reserve Estimate

On 1 February 2016, Magnis declared an updated Mineral Resource Estimate for the Nachu Graphite Project. The global Mineral Resource Estimate comprises 174 Million Tonnes (Mt) at an estimated grade of 5.4% Graphitic Carbon (Cg) and is reported in accordance with the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code, 2012).

The Nachu Project represents one of the largest Mineral Resources of large flake graphite in the world. The Block F Mineral Resource (59.5 Mt in the Measured Mineral Resource category and 39.3 Mt in the Indicated Mineral Resource category) is the primary orebody assessed in the BFS for initial production.

The Mineral Resource is split into 5 deposits (Block B, D, F, FS & J) with the mineralisation hosted predominantly in graphitic schist. All deposits have mineralisation at or near surface. The orientation of the Mineral Resource modelling follows the generally shallowly dipping limbs of the open-folding within the deposit.

The updated Nachu Graphite Project Mineral Resource Estimate was carried out by independent mining consultancy AMC Consultants Pty Ltd (AMC).

The Ore Reserve estimated by Orelogy is inclusive of the F and FS Blocks solely. The total Proved and Probable Ore Reserve comprises 76 Mt at 4.8% Cg for 3.6 million tonnes of contained graphite (Table 2).

This Ore Reserve provides sufficient material for an initial operating life of approximately 15 years. This comprises approximately 11.7 years at 240,000 tpa nameplate concentrate output after which lower grade ore stockpiles are processed for another 3.5 years at an average concentrate output rate of 160,000 tpa.

There is strong potential for extension of operating life at or near nameplate capacity (240,000 tpa) with further conversion of high grade Mineral Resources into future mine planning scenarios.

Block		B		D		F		FSL		J		Total	
		Tonnage Mt	Grade %Cg	Tonnage Mt	Grade %Cg	Tonnage Mt	Grade %Cg	Tonnage Mt	Grade %Cg	Tonnage Mt	Grade %Cg	Tonnage Mt	Grade %Cg
Measured	Oxide					1.7	4.9	0.2	5.2			1.9	4.9
	Primary					57.8	4.6	3.8	5.6			61.6	4.7
Indicated	Oxide	0.2	6.5			1.3	5.4	0.2	5.4	0.7	8.3	2.4	6.3
	Primary	6.6	6.3			38	5.1	5.0	5.1	9	8.1	58.6	5.7
Inferred	Oxide	0.1	5	0.7	5.9	1.7	5	0.01	3.2	0.04	10.1	2.6	5.3
	Primary	0.8	5	19.5	5.9	22.5	5.2	1.0	3.5	3.2	10.2	47	5.8
Sub Total		7.6	6.1	20.2	5.9	123.1	4.9	10.2	5.1	12.9	8.6	174	5.4

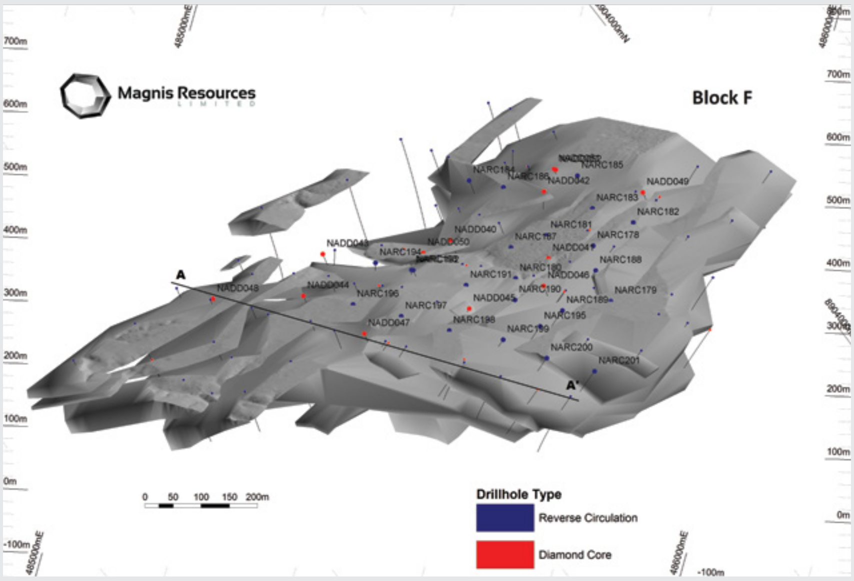
Table 1: *Nachu Graphite Project Mineral Resource Estimate 2016*

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

NACHU GRAPHITE PROJECT

Material				F - All Stages		F5		Total	
				Quantity MT	Grade %Cg	Quantity MT	Grade %Cg	Quantity MT	Grade %Cg
Ore	Proved	HG	fresh	21.9	5.4	3.3	5.6	25.2	5.4
		MG	fresh	11.7	4.3	0.2	3.6	11.9	4.3
		LG	fresh	13.4	3.5	0	0	13.4	3.5
	Total			47	4.6	3.5	5.5	50.5	4.6
	Probable	HG	fresh	13.4	5.9	3.5	5.2	16.9	5.7
		MG	fresh	3.7	4.3	0.8	3.7	4.5	4.2
		LG	fresh	4.4	3.5	0	0	4.4	3.5
	Total			21.5	5.1	4.3	4.9	25.7	5.1
	Total Proved + Probable			68.5	4.8	7.8	5.2	76.3	4.8
Waste	MW		fresh	18.1	2.5	0.6	2.6	18.7	2.5
	Other		oxide	15.9	-	3.1	-	19	-
			fresh	66.9	-	10.8	-	77.8	-
	Total			101	-	14.5	-	115.5	-
Total Ore & Waste			oxide	15.9	-	3.1	-	19	-
			fresh	153.5	-	19.3	-	172.7	-
Stripping Ratio				1.5		1.9		1.5	

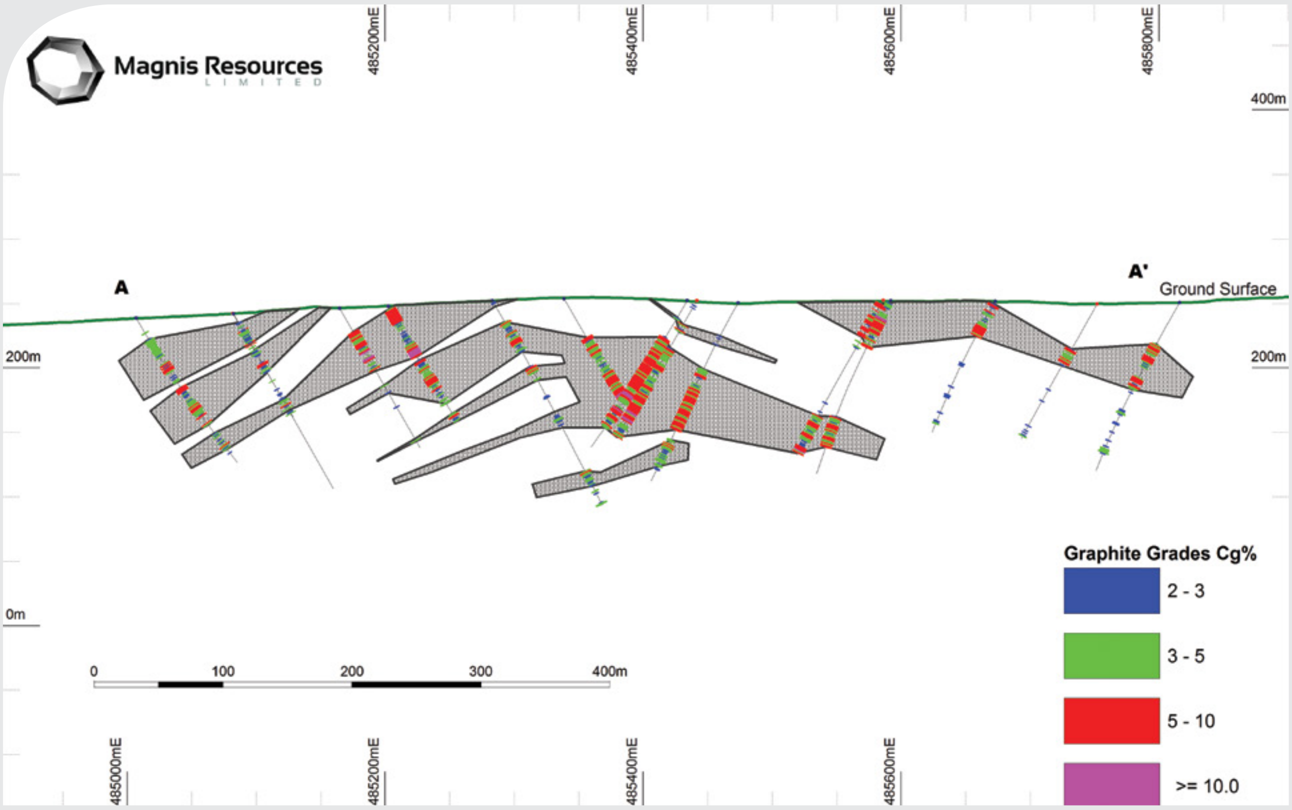
Table 2: *Nachu Graphite Project Ore Reserve Estimate by Block*



3D view of Block F deposit looking northwest with corresponding section line

NACHU GRAPHITE PROJECT

(MAGNIS 100%), TANZANIA



Note: near-section drillholes holes projected to plane and may affect the appearance of model alignment.
Cross section A-A' looking North within Block F, showing modelled mineralisation with downhole grades highlighted.

Bankable Feasibility Study (BFS) finalised

On 31 March 2016, Magnis released the results of the BFS for the Nachu Graphite Project.

The BFS highlights the exceptional economic returns and low technical risk and characterised strongly by the high quality size, purity and crystal structure of the contained graphite flake in the Nachu deposit.

Sedgman assumed the lead role in the BFS which was prepared with input from a wide range of independent local and overseas technical experts including Orelogy, Digby Wells, Logiman, AMC, Knight Piesold, MTL consultants, AMML Laboratories and Pells Sullivan Meynink. The feasibility study was completed to "Bankable" standards with an accuracy of +/- 10%. Environmental studies were done to "IFC" Standards.

The BFS delivers a post-tax NPV10% of US$1.69b and an internal rate of return (IRR) of 98%. Capital payback is projected within 14 months of first production.

A maiden Proved and Probable graphite Ore Reserve was declared on the Block F and FS orebodies totalling 76 million tonnes at 4.79% Cg for 3.6 million tonnes of contained graphite. This Ore Reserve provides sufficient material to support an initial 15 year operating life. The BFS is based on a 5.0Mtpa processing plant with a nameplate output capacity of 240,000tpa of graphite concentrate.

The unique crystal structure and low impurities in the Nachu graphite mineralisation allow production of a premium product suite with an average concentrate purity of over 98% TGC. Approximately 41% of this product will be high value Super

NACHU GRAPHITE PROJECT

Jumbo (+500 microns) and Jumbo (+300 microns) flake concentrate products at a purity of 97-98% TGC. The remaining 59% will be a sub-300 micron concentrate product at an exceptional purity of 99.2% TGC. This is firmly targeted at the rapidly growing lithium-ion battery sector.

The basket price estimate of US$2,350/t was constructed using pricing from Industrial Minerals, Benchmark Minerals and end-users, with good consistency across all sources. As demonstrated through metallurgical and end-user testing, the graphite concentrate produced from Nachu is unique due to its high purity, abundance of large flake and superior performance in high growth applications. The ability to achieve high purity without chemical treatment leads to a premium price product with a significantly reduced environmental footprint. These properties along with its crystalline nature make it a viable alternative to synthetic graphite in numerous applications including lithium-ion batteries.

Pre-production capital for the Nachu Graphite Project is estimated at US$269 million (including an 11% contingency). Operating costs over the first five years of production are forecast to be US$502 per product tonne free on board (FOB) from the port of Mtwara (ex royalties), and the life-of-mine forecast is US$559/t.

All necessary infrastructure has been identified, and any required construction incorporated in the BFS planning, including roads, water and grid power sourcing.

Power Supply Agreement

The Company entered into a power supply agreement in Tanzania with leading US-based power engineering and construction group Symbion Power LLC ("Symbion"). Under the terms of the agreement, Symbion will provide a total power solution for Nachu by developing and operating a dedicated 30MW gas fired power station, associated substations and a 132KV transmission line to connect Nachu to the main power grid.

The Tanzania Electric Supply Company (TANESCO) has given its in principal approval for Symbion & Magnis to proceed with the development.

Magnis will now undertake further detailed work and complete an Environmental Impact Assessment for the power project. Upon demonstrating the technical, economic and environmental feasibility of the power project, thereafter Symbion will be responsible for funding, developing and building the electricity infrastructure and Nachu will be the offtaker of the power.

Symbion has extensive experience operating power plants and constructing transmission lines in Tanzania and elsewhere in the world, including a 50MW diesel plant at Arusha, a 55MW diesel plant at Dodoma and a 120MW gas turbine plant in Dar es Salaam.

The Nachu BFS estimates for capital and operating costs relating to power were constructed on the basis of such a third party build-own-operate grid power supply solution. Study work completed by an Australian Electrical Engineering Consultant provided an indicative power price of between US$0.08 to US$0.10 per kwh for on-grid power. This represents a significant saving compared to other power options such as diesel or heavy fuel oil power generation.

Tanzanian Ports Authority Agreement

The Company received a Letter of Intent (LOI) from the Tanzania Ports Authority (TPA) allowing progress to the next phase of acquiring a long term lease at the export port of Mtwara.

The LOI envisages the allocation of 25,000 square metres of land in a prime location adjacent to the main wharf and berth of Mtwara Port. The proposed lease area is the Company's preferred location for concentrate storage facilities.

Under the terms of the LOI, the Company has been granted a six month period to finalise its application and execute a long term lease agreement with the TPA.

The port of Mtwara has an existing export capacity of 400,000 metric

NACHU GRAPHITE PROJECT

(MAGNIS 100%), TANZANIA

tonnes and currently less than half of this capacity is being utilised.

Having access to an established, high quality port facility with existing capacity is expected to deliver significant cost and operational benefits for Nachu. The port provides a readily defined and accessible export route to market and also the ability to create an efficient consumables and equipment supply chain, both through the construction and operating phases.

Nachu Spherical Graphite and Battery Testing

99.99% TGC coated spherical graphite achieved without chemical purification

Exceptionally high purity 99.99% total graphite content (TGC) material has been achieved in the production of coated anode graphite for lithium-ion batteries. The production of the anode graphite from concentrate, involved a two-step process whereby the graphite flake concentrate was firstly converted to uncoated spherical graphite at 99.8% TGC, without the use of chemical purification. The uncoated spherical graphite was then subjected to a thermal coating process, which further purified the graphite in the process of making the final coated anode product.

The elimination of chemical purification in the production of spherical graphite means that graphite concentrate feedstock from Nachu can bypass the additional cost, risk and environmental impact of downstream chemical purification which is currently involved in the production of the majority of purified spherical graphite. The opportunity to produce coated anode graphite through a lower cost and environmental footprint has Magnis well placed to provide a compelling choice for sustainable industries using lithium-ion batteries.

Outstanding Lithium-ion Battery Anode Results

The Company released the results of lithium-ion battery tests that occurred earlier this year for Nachu anode product (>99.95% coated spherical graphite) that returned the following:

- Tap density = 1.21 g/cc
- Compressed density = 1.75 g/cc
- BET = 1.908 m^2/g
- Total Ash < 0.05 %
- First cycle efficiency = 95%
- First charge capacity = 354 mAh/g

These results see the Nachu anode product compare favourably with the leading Chinese natural and synthetic graphite anode products currently in the market place.

The results further demonstrate the ability of Magnis to produce battery grade anode material from Nachu graphite feedstock, without the use of chemicals and toxic acids and solely utilising existing commercial scale technology. This is an important milestone for Magnis in its discussion with potential customers as it illustrates the viability of a greener and lower cost supply chain for graphite anodes in lithium-ion batteries.

The use of existing technology and commercial facilities is also highly significant in that it delivers replicable results that could be scaled up quickly at low cost in North America and other geographic regions in close proximity to a range of different end users.

Location of the full area intended for encompassing the proposed Nachu Graphite Storage Facility Area adjacent to the port of Mtwara facilities

NACHU GRAPHITE PROJECT

Nachu Graphite Anode with Silicon Delivers Outstanding Lithium-ion Performance

The Company released battery performance results on 29 June 2016 obtained through blending Nachu natural graphite with silicon additive.

The tests were conducted as part of Magnis' ongoing research and product development program. The addition of silicon to graphite anodes has been identified as a key area of innovation by potential customers looking to deliver the next generation of high performance in lithium-ion batteries.

Nachu coated spherical graphite anode with 10% silicon delivered first cycle charge capacity >580 mAh/g, 165% of the energy density compared to best performing commercial graphite anode and a cycle efficiency of 99.8% after the third cycle.

Initial testing has highlighted:

i) First charge capacity of 587+ mAh/g, a 65% improvement over the energy density of ~355mAh/g for current industry standard graphite anode;

ii) A first cycle efficiency of >86%; and

iii) Greater than 98% capacity retention after 38 cycles

The 65% increase in anode capacity translates to approximately 20%-30% additional mileage for an electric vehicle without any change in battery size.

The results further demonstrate the flexibility and potential of the Nachu project to be a leading long term supplier into the dynamic lithium-ion battery market.

Environmental Certificate Granted

In August 2015, the Company announced that the Nachu Graphite Project had been issued with an Environmental Certificate by the National Environment Management Council (NEMC) of Tanzania.

The issue of the Environmental Certificate was based on the Environmental Impact Study (EIS) submitted to NEMC by the Company's consultants, MTL Consulting of Tanzania and Digby Wells Environmental of South Africa.

Special Mining Licence Issued

On 8 September 2015, the Company announced that a Special Mining Licence (SML) SML 550/2015 for the Nachu Graphite Project had been granted by the Ministry of Energy and Minerals (MEM) of Tanzania.

The granting of the SML is a key approval for the Project and allows the Company to move forward with finalising funding arrangements for further development. The SML was granted to Uranex Tanzania Ltd, the 100% owned Tanzanian subsidiary of Magnis.

To receive the grant of the SML, the Company's application was initially assessed by the MEM and then recommended to the Mining Advisory Board (MAB) for its endorsement.

A SML is a superior licence to a Mining Licence (ML) as it encompasses projects with an investment over US$100 million. The Company applied for the SML in preference to a standard ML for the following reasons:

1. A SML allows for a larger area to be approved than a ML. A ML is restricted to an area of 10 km^2. Magnis has been granted an area of approximately 30km^2.
2. A SML grants tenure for the period of the development or for a maximum period of 25 years. A ML only allows for a 10 year period.
3. A SML is supplemented with a Mineral Development Agreement (MDA).

The Company reached agreement with the Tanzanian Government in October 2015 on the terms of an MDA over a ten year period. There are a number commercial matters covered by the MDA and key terms include the following:

(a) A 5% free carried shareholding in the Nachu Graphite Project (NGP) for the Government of Tanzania;

(b) An option for the Government to purchase an additional 10% of the NGP at 'fair market value' as determined by an internationally recognised valuer;

NACHU GRAPHITE PROJECT

(MAGNIS 100%), TANZANIA

(c) Fiscal stability which ensures all taxation, royalties and duties are fixed for the term of the MDA;

(d) A tax rate of 30% and a 3% production royalty;

(e) Provisions that prevent any form of nationalisation of the NGP.

Divestment of Non-Core Assets with Uranium Demerger

Magnis divested the Company's non-core uranium assets. This action provided an opportunity to unlock additional value for Magnis shareholders whilst also allowing a primary focus on the development of the world class Nachu Graphite Project.

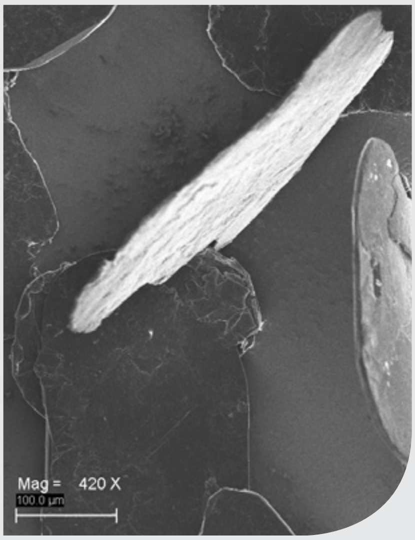
The Board proposed that a resolution be put forward to shareholders at a General Meeting (GM) on 5 April 2016 to approve the demerger of the uranium assets into another vehicle, with all shares received by Magnis as consideration being distributed to shareholders via an in-specie distribution. The resolution was passed at the GM and subsequently the uranium assets have been demerged into Uranium Africa Limited (UAL), which is a public, unlisted company. For every one Magnis share held on the Record Date of 8 April 2016, 0.52828 shares in UAL were allocated as the in-specie distribution. Full workings and calculations were announced to the ASX on 13 April 2016 and UAL holding statements were sent to shareholders by the share registry on 18 April 2016.

Offtake Discussion and Project Finance

Discussions remain advanced with potential offtake, processing partners and end users from South Korea, Japan, North America and Europe.

Finance discussions for potential project finance for the Nachu Graphite Project remain active and would be expected to be advanced further once some western word offtakes are in place.

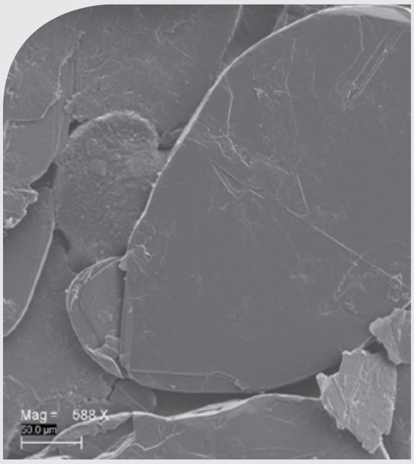
The Company signed an MOU with South Korean industry leader POSCO E&C in October last year outlining the basis for co-operation on the procurement of funding and construction of the Nachu Graphite Project.

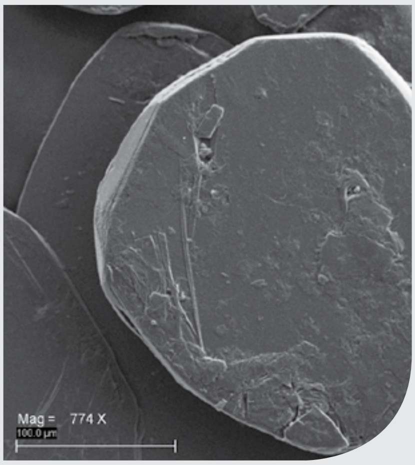


SIGNIFICANT EVENTS
AFTER THE REPORTING DATE

S&P / ASX 300 Inclusion

Magnis was recently included into the S&P/ASX 300 Index. Prior to this, March 2016 saw the Company included into the All Ordinaries Index for the very first time thus the Company has certainly made significant progress in such a short period with the focus on the Nachu Graphite Project.





COMPETENT PERSONS STATEMENT

All information with respect to geology, assay results, results interpretation or resource statements of the Nachu and Ruangwa tenements have been extracted from ASX announcements made by the Company during 2015 and 2016 as listed below, and which are available to view at www.magnis.com.au. The Company confirms that it is not aware of any new information or data subsequent to those announcements that materially affects the information included in this document and that all material assumptions and technical parameters underpinning the estimates continue to apply and have not materially changed. The Company also confirms that the form and context in which the Competent Person's findings are presented have not been materially altered.

Previous related ASX announcements include: 15 December 2015; Nachu Graphite Project Update (B Laws, Exploration Manager Magnis Resources Ltd), 1 February 2016; Nachu Graphite Project Updated Mineral Resource (A Proudman, AMC Consultants and B Laws, Exploration Manager Magnis Resources Ltd), 31 March 2016; Nachu Graphite Bankable Feasibility Study Finalised (C Moormann, Orelogy Consulting Pty Ltd, A Proudman, AMC Consultants and B Laws, Exploration Manager Magnis Resources Ltd), 29 April 2016; Quarterly Activities Report (C Moormann, Orelogy Consulting Pty Ltd, A Proudman, AMC Consultants and B Laws, Exploration Manager Magnis Resources Ltd)

The information in this report that relates to Ore Reserves is based on information reviewed or work undertaken by Mr Carel Moormann, a Competent Person who is a Fellow of The Australasian Institute of Mining and Metallurgy. Mr Moormann is a Principal Mining Consultant employed by Orelogy Consulting Pty Ltd. Mr Moormann has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the preparation of mining studies to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Moormann consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

The information in this report that relates to the Mineral Resources is based on information compiled by Mr A Proudman, a Competent Person who is a Fellow and Chartered Professional Geology of the Australian Institute of Mining and Metallurgy. Mr Proudman is employed by AMC Consultants Pty Ltd. Mr Proudman has no financial interests in Magnis Resources Limited and is independent of the company. Mr Proudman has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr A Proudman consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Mr Laws is a full time employee of Magnis Resources Limited and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined by the 2012 Edition of the Australasian Code for reporting of Exploration Results. Mr Laws, a Competent Person who is a registered Member of the Australasian Institute of Mining & Metallurgy, consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

MINERAL TENEMENTS

Schedule of Mineral Tenements

Tenement Number	Project/Tenement Name	Locality	Group Ownership %
PL7377/2011	Ruangwa	Tanzania	100
PL8697/2012	Rutamba North	Tanzania	100
PL8696/2012	Lihehe East	Tanzania	100
SML550/2015	SML Nachu	Tanzania	100
PL9017/2013	Issuna	Tanzania	100*
PL8076/2012	Mkuju 1	Tanzania	100*
PL8418/2012	Ilongo North	Tanzania	100*
PL9018/2013	Manyoni East	Tanzania	100*

**tenements have expired or surrendered in July 2016*

DIRECTORS' REPORT

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Magnis Resources Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2016.

DIRECTORS

The following persons were directors of Magnis Resources Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

Frank Poullas (Chairman)

Appointed 10 September 2010 (Director), 29 August 2014 (Chairman)

Frank is an information technology consultant and in his personal capacity, a professional investor specialising in the graphite and uranium sectors. For the last ten years he has been involved in various ventures increasing shareholder value in both these sectors. Frank has a significant number of share and option holdings in the Company.

Current and former directorships of listed companies in last three years:
None

Special responsibilities
He was the Chairman of Sustainability Committee from 1 July 2015 to 31 December 2015. Frank is a member of the Audit, Sustainability and Remuneration Committees.

Johann C Jooste-Jacobs (Non-Executive Director)
B.Acc, MBL, FCA, FAICD

Appointed 27 August 2010

Johann has more than 35 years experience in the resource sector where he has managed established companies, acquisitions, expansions and start-up mining operations in Australia, South Africa and Indonesia. He is currently Executive Chairman of King Island Scheelite Limited and a Non-Executive Director of Australian Zircon NL. Johann is a Fellow member of both the Institute of Chartered Accountants and the Institute of Company Directors of Australia.

Current and former directorships of listed companies in last three years:
King Island Scheelite Limited (ASX:KIS)
Australian Zircon NL (ASX:AZC)
TW Holdings Limited (ASX:TWH) (Resigned 18 November 2014)

Special responsibilities
He is Chairman of the Audit Committee and became Chairman of the Remuneration Committee from 14 December 2015 to 30 June 2016.

Peter Tsegas (Non-Executive Director)

Appointed 16 June 2015

Peter has over 16 years of experience in Tanzania where he has been a resident for the past 11 years. He has worked to engage both the private and government sectors on a number of projects and was Managing Director of Tancoal Energy Ltd which he successfully took from an exploration company through to a JV with the Tanzanian government and then into production.

Current and former directorships of listed companies in last three years:
None

Special responsibilities
He became Chairman of the Sustainability Committee from 1 January 2016 and was appointed to the Audit Committee on 11 March 2016.

Colin (Cobb) Johnstone (Non-Executive Director)

Appointed 27 May 2016

Cobb is a mining engineer with extensive experience building and operating mines in Africa, Australia, Asia and South America. He held the position of Chief Operating Officer for African copper miner Equinox Minerals until its acquisition by Barrick Gold in mid-2011, and Chief Operating Officer for China-focussed gold miner Sino Gold Mining until its acquisition by Eldorado in late 2009. Mr Johnstone's distinguished career spans more than 30 years and he has served as General Manager of some of Australia's largest mines including the Kalgoorlie Super Pit in Western Australia, Olympic Dam in South Australia and Northparkes in New South Wales.

Current and former directorships of listed companies in last three years:
Evolution Mining Limited (ASX:EVN)
Reed Resources Limited (ASX:RDR) (Retired as Director on 30 September 2013). Reed Resources changed its name to Neometals (ASX:NMT) as of 18 December 2014
Metallum Limited (ASX:MNE) (Resigned 15 October 2015)

DIRECTORS' REPORT

Special responsibilities
Appointed to the Remuneration Committee on 1 June 2016.

Len Eldridge (Executive Director)

Appointed 27 May 2016

Len is a mining finance professional with a diverse commercial skillset. Previous roles he has held include Head of Investor Relations at Equinox Minerals, Head of Business Development and Investor Relations at Mount Gibson Iron, Associate Director and Senior Mining Analyst at Macquarie Group and Senior Resources Analyst at leading Australian institutional fund manager, JCP Investment Partners. Mr Eldridge is currently a principal of Fivemark Partners, a strategic financial, business development and investor relations advisory business.

Current and former directorships of listed companies in last three years:
None

Special responsibilities
None

Stephen B Hunt (Non-Executive Director)
B.Bus (Marketing)

Appointed 27 August 2010. Resigned 14 December 2015

Stephen gained over 16 years minerals marketing experience with BHP. In addition, Stephen has been a Director of Australian Zircon NL and more recently has been a Director of his own minerals trading business, Standout Enterprises Ltd, as well as iron ore producer, IMX Resources Ltd.

Current and former directorships of listed companies in last three years:
IMX Resources Limited (ASX:IXR) (Resigned 22 August 2014). IMX Resources changed its name to Indiana Resources (ASX:IDA) as of 22 June 2016
Volt Resources (ASX:VRC)

Special responsibilities
Stephen was Chairman of the Remuneration Committee and a member of the Audit Committees until his resignation from Magnis on 14 December 2015.

COMPANY SECRETARY

Doug Richardson (Company Secretary)
B.Com (Economics & Finance), Grad Dip. Applied Finance & Investment

Appointed 14 January 2015

Doug Richardson has over 20 years experience in the financial services and resources sectors. His experience has included investment research, analytics and client advising for various organisations including GIO Asset Management, The Australian Prudential Regulation Authority, Suncorp and Philo Capital Advisers.

DIRECTORS' INTERESTS

As at the date of this report, the interests (directly or indirectly held) of the Directors in the shares and options of the Company were:

Director	Ordinary Shares	Options over Ordinary Shares
Frank Poullas	9,484,361	4,640,500
Johann C Jooste-Jacobs	5,172,857	362,857
Colin (Cobb) Johnstone	116,666	-
Peter Tsegas	20,000	750,000
Len Eldridge	16,000	1,000,000

NATURE OF OPERATIONS AND PRINCIPAL ACTIVITIES

The principal activity of the Group during the year was prospecting, exploration and pre-development for graphite on its 100% owned Nachu Project in Tanzania. There was no significant change in the nature of that activity during the year.

DIVIDENDS

No dividends have been paid during the year (2015: $NIL). The Directors do not recommend the payment of a dividend for this financial year.

DIRECTORS' REPORT

CORPORATE INFORMATION

Magnis Resources Limited is a Company limited by shares that is incorporated and domiciled in Australia. The shares and options are listed on the Australian Securities Exchange ("ASX") under the ASX codes MNS and MNSO respectively.

Unlisted options issued to Directors beneficially via the Company's employee option trust scheme are included in the option aggregate.

Details of shares or interests issued during and after the end of the financial year as a result of exercise of an option are:

Issuing entity	Number of shares issued	Class of shares	Total amount paid for shares	Amount unpaid on shares
Magnis Resources Limited	108,042,598	Ordinary	$11,393125	$nil

EMPLOYEES

Magnis Resources Limited had six employees as at 30 June 2016 (2015: five employees).

Category of employee	Total	Gender	
		Male	Female
All Employees and Board	11	10	1
Senior Executives	5	5	-
Board	5	5	-

SUSTAINABILITY

At Magnis, the environmental, safety and social aspects of our projects are treated as core considerations. Communities and governments are consulted prior to exploration and project development activities taking place and the communication is open and respectful. Protecting the environment is a central deliberation in project planning and environmental performance is regarded as critical throughout the project lifecycle. Magnis is committed to using the highest international benchmarks appropriate for project development in addition to satisfying regulatory requirements.

Sustainability highlights during the past year include the following:

» Magnis continued with the key components of compliance with the Tanzanian regulatory approvals process and in accordance with international benchmarks.

» Stakeholder consultation during the past year has included considerable engagement at the district, regional and national levels as well as extensive consultation with local communities. Magnis has an excellent track record on stakeholder engagement and as a result has developed positive relationships with governments and local communities.

» In the area of Occupational Health and Safety, Magnis actively promotes active employee participation in continuous improvement processes. Through employee training and engagement in this area Magnis has achieved an improved standard of safety. Over the past year Magnis has had no serious incidents or near misses, with only one minor first aid treatable injury, however continuous improvement in minimising the risk to employee safety remains a key focus as we move towards construction and mining.

» In the area of Corporate Social Responsibility (CSR), the Magnis Community Partnership Program (MCPP) is ongoing. Of note construction materials have been donated to the villages of Matambarale, Mihewe, Namikulo and Chunyu, for a variety of school and medical clinic building projects. Through the MCPP Magnis contributes various inputs from time and planning skills to materials and equipment for community development programs in areas such as cultural awareness, education, agriculture, environment, sport and health.

» The Company, besides its dedication to supply books for the upgrade of school standards to the local community as part of our CSR, assisted the needy secondary and high school students by paying school fees, uniforms, travel costs, etc to enable them to join and proceed with studies. Other areas of support were community road repairs, a HIV Program, health insurance to households, floods disasters, etc.

» Magnis also contributes to the economic and social development of our host communities in other ways. Our presence benefits local populations by creating direct employment (exploration activities) and indirect economic benefits through the provision of food, accommodation and other supplies.

» In Tanzania, Magnis has been actively engaged in providing valuable practical training to build the broader skill base within the mining industry. Magnis has successfully and is currently hosting geology students from the Universities of Dar es Salaam and the University of Dodoma in order to provide exploration experience and technical training in their final year of studies.

During the past financial year, Magnis was issued with an Environmental Certificate by the National Environmental Management Council (NEMC) of Tanzania. The granting of the Environmental Certificate was based on the Environmental Impact Study (EIS) submitted to NEMC by the Company's consultants, MTL Consulting of Tanzania and Digby Wells Environmental of South Africa.

DIRECTORS' REPORT

The aim of the Company was to complete the EIS to International Finance Corporation Standards so that it would conform to necessary permitting and funding requirements for the Nachu Graphite Project. This Environmental Certificate was an essential component for the granting in September 2015 of a Special Mining Licence in Tanzania.

To achieve this, the Company had both the Tanzanian and international consultants conduct the Environmental and Social Impact Assessment (ESIA) which formed the basis for the EIS. MTL Consulting is a very experienced consultancy in Tanzania who has worked on many projects in the country and Digby Wells Environmental has a wide range of international experience. Their efforts combined to produce a thorough study and assessment.

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

As part of the community resettlement process for the project development, a valuation of assets for all Project Affected Peoples (PAP) has commenced. The valuation is being conducted by an independent valuation company in accordance with Tanzanian legislation. While there are some 575 PAP, most comprise small acreage farmers with only an estimated 58 residences requiring relocation. The estimated cost for the resettlement will be based on a strong understanding of the assets in the affected area and the fair value for land access compensation.

CORPORATE

Directors Movements

Mr Stephen Hunt resigned from his position of Non-Executive Director on 14 December 2015.
Mr Colin (Cobb) Johnstone was appointed as a Non-Executive Director on 27 May 2016.
Mr Len Eldridge was appointed as an Executive Director on 27 May 2016.

Placements

A placement to sophisticated investors was announced on 12 February 2016. The placement raised $3 million at a price of 35c per share.

On 12 October 2015 a placement to sophisticated and institutional investors from Australia and overseas was announced. The amount raised was $4 million at 40c per share.

Both placements were undertaken to provide working capital and to fast track pre-development of the Nachu Graphite Project.

Company Staffing

No key staffing appointments were made for the Company during the past twelve months.

DIVESTMENT OF NON CORE ASSETS

The Company divested non-core uranium assets in April 2016 via a demerger and in-specie distribution of shares in a new company, Uranium Africa Limited (UAL). The Board was of the opinion that the Company share price attributed minimal value to its non-core assets and shareholders would gain more value through a demerger of the assets into another vehicle with all shares received by the Company as consideration, being distributed to shareholders via an in-specie distribution.

Following an Extraordinary General Meeting (EGM) held on 5 April 2016 and the announced results of the resolution vote to approve the demerger of uranium assets, an allotment of UAL fully paid ordinary unlisted shares, pursuant to the EGM was completed.

For every one Magnis Resources Limited (ASX:MNS) share held on the Record Date of 8 April 2016, 0.52828 shares in UAL were allocated as the in-specie distribution.[#] Fractional shares were rounded down to the nearest whole share. As per the timetable mentioned in section 2.2 of the Notice of EGM released on 26 February 2016, the completion of the demerger including the in-specie distribution of UAL shares to shareholders was on 15 April 2016 and holding statements were sent to shareholders by the share registry on 18 April 2016.

OPERATING RESULTS FOR THE YEAR

The Group incurred an operating loss after tax of $12,026,781 (2015: $13,244,576). Refer to Note 1 of the financial statements for accounting policies used. Summarised segment operating results are as follows:

	2016	
	Income $	Results $
Australia	739,416	(12,259,525)
East Africa	56	(7,241,142)

To calculate the MNS/UAL in-specie distribution ratio, the 200,000,000 UAL shares on issue as per the disclosure in the Notice of Extraordinary Meeting and Short Form Prospectus were divided by the number of shares in MNS on issue at the record date. (200,000,000/378,589,995) = 0.52828

DIRECTORS' REPORT

	2016	
	Income $	Results $
Intersegment elimination	(573,389)	7,473,886
Income and losses before tax	166,083	(12,026,781)

The Group continued its focus on exploration and evaluation in Tanzania. Exploration costs for the year amounted to $7,793,472 (2015: $8,890,495). This substantial evaluation expenditure was spent at the Nachu Graphite Project for Bankable Feasibility Study.

REVIEW OF FINANCIAL CONDITION

Liquidity and Capital Resources

The statement of cash flows shows an increase in cash and cash equivalents for the year ended 30 June 2016 of $4,391,398 (2015: $1,835,340 decrease). During the year the Group raised $7,000,000 (2015: 9,565,446) before costs from a share placement and $9,697,156 (2015: $394,526) from options exercised. At year end the Group has liquid funds of $7,208,404 (2015: $2,817,006) available for future operational use and has no borrowings (2015: $NIL).

Going concern

In light of the circumstances disclosed in note 1 of the Financial Report, the auditor has included an emphasis of matter in their audit report.

Shares and Options Issues

During the year the Company raised funds from equity as follows:

» $7,000,000 (2015: $9,565,446) from a share placement of 18,571,429 (2015: 44,052,294) ordinary fully paid shares.

» $9,697,156 (2015: $394,526) from the exercise of options then subsequent issue of 95,806,548 (2015: 8,070,255) ordinary fully paid shares.

Capital Expenditure

Capital expenditure on property, plant and equipment during the year was $55,998 (2015: $60,940).

GROUP PERFORMANCE

	2016	2015	2014	2013	2012
Consolidated loss after tax	12,026,781	13,244,576	5,177,375	4,912,364	11,757,348

Shareholder Returns

	2016	2015
Basic loss per share (cents)	3.42	4.22
Diluted loss per share (cents)	3.42	4.22

RISK MANAGEMENT

The Board is responsible for ensuring that risks are identified on a timely basis and that the Group's activities manage the risks identified by the Board.

The Group believes that it is crucial for all Board members to be a part of this process. The Board has not established a separate risk management committee but reviewed the major risks to the business with management and has the following processes in place to monitor it:

» The Board has undertaken strategic reviews of its activities and conveyed to management and shareholders its objectives.

» The Board approved operating budgets and at its meetings, monitors actual expenditure to budget.

» The Board reviews sovereign, operating and environmental risks with management and from time to time external consultants provide reports on its practices.

» The Board assesses political and sovereign risks relating to its international assets by monitoring local media and politics. Group representatives liaise with all levels of Government to maintain awareness as to matters that may affect the Company.

The Directors have identified risks associated with our business. Inherently, exploration is a risky undertaking that often provides substantial rewards to investors whenever success is achieved. This is the foremost risk that the Board endeavours to mitigate through its strategic identification of potential mineralisation targets and oversight of management subsequently conducting the respective exploration programmes. The Board is very aware of the financial risks associated with the exploration industry. The Group presently

DIRECTORS' REPORT

accesses funds through the capital markets in order to fund its future business needs. The capital markets are subject to prevailing economic conditions so the Directors are attuned to raising funds to meet future needs when circumstances permit.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

The Company divested non-core uranium assets in April 2016 via a demerger and in-specie distribution of shares in a new company, Uranium Africa Limited (UAL).

ENVIRONMENTAL REGULATION AND PERFORMANCE

The Group's exploration activities, both in Australia and overseas, are subject to environmental regulations and guidelines operating in the licence areas. Failure to meet environmental conditions attaching to the group's mineral tenements could lead to forfeiture of the tenements. No environmental breaches have occurred or have been notified by any government agencies during the year ended 30 June 2016.

DIRECTORS MEETINGS

The number of Directors meetings held (including meetings of committees of Directors) and the number of meetings attended by each of the Directors of the Company during the financial year are:

	Directors Meeting		Audit Committee		Remuneration Committee		Sustainability Committee	
Number of meetings attended:	A	B	A	B	A	B	A	B
J C Jooste-Jacobs	6	6	2	2	-	-	*	*
S B Hunt	2	2	1	1	-	-	*	*
F Poullas	6	6	2	2	-	-	-	-
P Tsegas	6	6	-	-	*	*	-	-
C Johnstone	1	1	*	*	-	-	*	*
L Eldridge	1	1	*	*	*	*	*	*

Notes
A Number of meetings attended.
B Number of meetings held during the year whilst the director held office.
* Not a member of the relevant committee.
The Audit Committee comprised J C Jooste-Jacobs (Chairman), F Poullas, and S B Hunt and P Tsegas. The Remuneration Committee comprised S B Hunt, J C Jooste-Jacobs (Chairman) and F Poullas and C Johnstone. The Sustainability Committee comprised of P. Tsegas (Chairman), F. Poullas, R J Chittenden (Chief Operations Officer).
S B Hunt resigned as a Director of the Company on 14 December 2015.

REMUNERATION REPORT (AUDITED)

This report outlines the remuneration arrangements in place for Directors and executives.

REMUNERATION POLICY

The Board recognises that the performance of the Group depends upon the quality of its Directors and executives. To achieve its operating and financial activities the Group must attract, motivate and retain highly skilled Directors and executives.

The Group's policy for determining the nature and amount of emoluments of Board members and executives of the Company is assessed annually at the end of each calendar year and are set by reference to the mineral exploration industry market place. The Remuneration Committee submits its recommendation to the Board for its consideration.

All remuneration paid to Directors and executives is valued at the cost to the Group and expensed.

The Board policy is to remunerate Non-Executive Directors at market rates for comparable companies for time, commitment and responsibilities based on recommendations from the Remuneration Committee. The Board determines payments to the Non-Executive Directors and reviews their remuneration annually, based on market practice, duties and accountability. Furthermore, the Remuneration Committee ensures its remuneration recommendations are free from undue influence either by or to whom its recommendations may relate through the establishment of on an agreed set of protocols previously set by McDonald & Partners, committee members and Key Management Personnel. Having followed these protocols, the Board is satisfied that no such undue influence was exerted upon the Committee.

The current maximum aggregate of Non-Executive Directors fees payable is $400,000; having been approved by members on 14 November 2008. Presently, Non-Executive Directors receive annual fees of between $50,000 to $65,000 and the Non-Executive Chairman $100,000. An additional $5,000 per annum is paid to Directors who act as Chairman of Committees. Superannuation is based on each individual Director's service agreement.

Any increase in the maximum aggregate amount of fees that can be paid to Non-Executive Directors is subject to approval by

DIRECTORS' REPORT

shareholders at the annual general meeting. Fees for Non-Executive Directors are not linked to the performance of the group. To align Directors' interests with shareholder interests, the Directors are encouraged to hold shares in the Company.

DIRECTOR AND OTHER EXECUTIVES DETAILS

Listed on pages 18 and 19 of the Directors Report are persons who acted as a director of the Company during or since the end of the financial year.

For the purposes of this report, Key Management Personnel (KMP) of the Group are those persons having authority and responsibility for planning directing and controlling the major activities of the Company and the Group, directly or indirectly, including any Director (whether executive or otherwise) of the Company, and senior or key management. In addition to the Directors, the following were KMP during the financial year:

Dr Frank Houllis – Chief Executive Officer
Rod Chittenden – Head of Operations

PERFORMANCE BASED REMUNERATION

The Group currently has no performance based remuneration component built into the Chief Executives' remuneration package. Bonuses may be payable at the Board's discretion following the annual performance review. The Company does not have policies regarding risk management of flexible components of remuneration packages.

COMPANY PERFORMANCE, SHAREHOLDER WEALTH AND DIRECTORS AND EXECUTIVES REMUNERATION

In accordance with the remuneration policy noted above, the Group includes the following principles in its remuneration framework:

» Competitive rewards are set to attract high calibre executives;
» Executive rewards are linked to shareholder value.

For executives the Group's policy is to position total employment costs within a peer group determined by the remuneration consultants. The Remuneration Committee did rely on previous reports of the consultant for determining remuneration during the period. The mix of fixed and variable components of employment costs is derived from data assessing market rate labour costs by position.

There are no financial measures that are included in the assessment but the Remuneration Committee considers the growth in market capitalisation an important parameter. For non-financial measures a range of factors are considered; market position, relationship with a range of stakeholders, risk management, leadership and team contribution.

SHARE OPTION PLAN

Magnis Resources Limited operates an ownership-based scheme for Directors and Employees of the consolidated entity. In accordance with the provisions of the plan, shares and options are held on behalf of Plan Participants by the Trustee of the Uranex Option Share Trust ("UOST").

During the financial year NIL shares (2015:405,236), and 750,000 options (2015: 6,900,000) on varying terms and conditions were allotted to the Trust under the share scheme.

Performance Income as a proportion of total compensation

The Company's performance as measured by the ordinary shares, share price for the opening and closing of the financial year was $0.24 and $0.975 respectively (306% increase). Also the company has listed options, option price for the opening and closing of the financial year was $0.155 and $0.875 respectively (465% increase). New capital of $16.7 million was raised during the financial year to conduct exploration and evaluation activities in Southern Tanzania and provide working capital.

750,000 options issued to Employees were not tailored to performance targets because exploration company inherent assets are highly variable in value and are, in effect, unknown until exploration has been completed. As asset values are the key to corporate growth, it is not feasible in these circumstances to set up a fair performance measure.

Service agreements

Remuneration and other terms of employment for key management personnel are formalised in service agreement. Remuneration agreements are set out below:

Dr Frank Houllis - Chief Executive Officer

» No agreement expiry date;
» Remuneration is $286,000 per annum plus statutory superannuation guarantee;
» The agreement and the employment created by it may be terminated by either Magnis Resources Limited or Dr Houllis giving the other party 12 months' notice. The agreement also includes a 6 month 'non-compete' clause for Dr Houllis; and
» The agreement is subject to annual review.

DIRECTORS' REPORT

Rodney Chittenden – Head of Operations

- No agreement expiry date;
- Remuneration is $260,000 per annum plus statutory superannuation guarantee prior to March 16. Remuneration was adjusted to $225,714 per annum plus statutory superannuation guarantee in Australia and base salary USD$24,000 per annum plus statutory superannuation guarantee in Tanzania;
- The agreement and the employment created by it may be terminated by either Magnis Resources Limited or Mr Chittenden giving the other party 1 month' notice. The agreement also includes a 6 month 'non-compete' clause for Mr Chittenden; and
- The agreement is subject to annual review.

Table 1: Remuneration for the year ended 30 June 2016

	Salary & Fees $	Cash Bonuses $	Termination Benefits^ $	Post Employment Benefits^ $	Share Based Payments options# $	Total~ $
Non Executive Directors						
F Poullas*	100,000	-	-	9,500	(4,895) [1]	104,605
J C Jooste-Jacobs	56,250	-	-	5,344	(4,895) [2]	56,699
P Tsegas*	52,500	-	-	-	64,913 [3]	117,413
C Johnstone (appointed 27 May 2016)	5,417	-	-	-	-	5,417
S B Hunt (resigned 14 Dec 15)*	24,063	-	-	2,286	(4,895) [4]	21,454
Executive Directors						
L Eldridge (appointed 27 May 2016)*	12,500	-		-	-	12,500
Key management personnel						
F Houllis	286,000	10,000	-	27,170	-	323,170
R J Chittenden	255,986	20,000	-	25,262	-	301,248
	792,716	**30,000**	**-**	**69,562**	**50,228**	**942,506**

* Fees paid to related entities.
^ Includes superannuation and movements in employee entitlements.
# Share based payments consist of shares, options and rights issued.
~ Other than where indicated, no remuneration was performance based.

1 Represents ($4,895) unvested right options.
2 Represents ($4,895) unvested right options.
3 Represents $64,913 worth of vested options
4 Represents ($4,895) unvested right options.

Table 2: Remuneration for the year ended 30 June 2015

	Salary & Fees $	Cash Bonuses $	Termination Benefits $	Post Employment Benefits^ $	Share Based Payments options# $	Total~ $
Non Executive Directors						
F Poullas*	92,663	-	-	8,803	10,885[5]	112,351
J C Jooste-Jacobs	55,000	-	-	5,225	10,885[6]	71,110
S B Hunt*	55,000	20,000	-	5,225	10,885[7]	91,110
P Tsegas	2,197	-	-	-	-	2,197
P Sarantzouklis (resigned 23 August 14)	16,304	-	-	1,549	(45,260)[8]	(27,407)
Key management personnel						
F Houllis!	242,177	7,500	-	23,006	189,225[9]	461,908
R J Chittenden	260,000	-	-	24,700	43,500[10]	328,200
	723,341	**27,500**	**-**	**68,508**	**220,120**	**1,039,469**

* Fees paid to related entities.
^ Includes superannuation and movements in employee entitlements.
# Share based payments consist of shares, options and rights issued.
~ Other than where indicated, no remuneration was performance based.
! Dr Frank Houllis started on 27 August 2014.

5 Represents ($12,500) unvested rights, $20,698 vested rights and $2,687 rights
6 Represents ($12,500) unvested rights, $20,698 vested rights and $2,687 rights
7 Represents ($12,500) unvested rights, $20,698 vested rights and $2,687 rights
8 Represents ($45,260) unvested right options
9 Represents $189,225 options
10 Represents $43,500 options

DIRECTORS' REPORT

Compensation options granted and vested

During the financial year, the following share-based payments were awarded, vested or lapsed:

Table 1: Options

Options Issued	Grant Date and Vesting Date	Expiry Date	Grant Date Fair Value $	Number	Original Exercise Price of Option $	Modified Exercise Price of Option[!] $	Fair Value Expense under AASB 2 $
Aug-15	Feb-15	03-Feb-18	0.0936	3,000,000*	0.3	0.29533	280,800
Nov-15	Nov-15	06-Nov-18	0.1004	1,000,000*	0.5	0.49533	100,400
Nov-15	Nov-15	06-Nov-18	0.1255	1,000,000*	0.4	0.39533	125,500
Nov-15	Nov-15	30-Nov-17	0.1095	1,500,000*	0.4	0.39533	164,250
May-16	May-16	30-Nov-17	0.239	1,500,000*	0.4	unchanged	358,500
May-16	May-16	30-Nov-17	0.1539	1,000,000*	0.6	unchanged	153,900
Jun-16	Jun-16	23-Feb-18	0.4472	1,500,000*	0.5	unchanged	670,800
Apr-16	Mar-16	06-Nov-18	0.0977	375,000	0.35	unchanged	36,638
Apr-16	Mar-16	06-Nov-18	0.0754	375,000	0.45	unchanged	28,275
Jun-11	Jun-11	19-Nov-15	0.305	1,500,000	0.175	unchanged	457,500
Jun-13	Jun-13	14-Jun-16	0.0178	750,000	0.15	0.14533	13,350
Nov-13	Nov-13	17-Nov-16	0.0327	250,000*	0.18	0.17533	8,175
May-14	May-14	31-May-17	0.0518	300,000*	0.20	0.19533	15,540
Jan-15	Jan-15	30-Jan-18	0.058	600,000*	0.35	0.34533	34,800
Jun-13	Jun-13	14-Jun-16	0.0226	750,000	0.10	0.09533	16,950

*Non Director or KMP Options.
! Adjustment to the exercise price due to the ASX Listing Rule 7.22.3 following the demerger of Uranium Assets

Table 2: Rights

Rights Issued	Grant Date	Expiry Date	Grant Date Fair Value $	Number	Fair Value Expense under AASB 2 $
Sep-13	3-Sep-13	31-Dec-15	0.0125	1,500,000	18,750

ADDITIONAL INFORMATION

The earnings of the consolidated entity for the five years to 30 June 2016 are summarised below:

Shares Issued	2016 $	2015 $	2014 $	2013 $	2012 $
(Loss) after income tax	(12,026,781)	(13,244,576)	(5,177,375)	(4,912,364)	(11,757,348)

The factors that are considered to affect total shareholders return ('TSR') are summarised below:

Shares Issued	2016 $	2015 $	2014 $	2013 $	2012 $
Share price at financial year end ($)	0.975	0.24	0.16	0.049	0.14
Total dividends declared (cents per share)	-	-	-	-	-
Basic loss per share (cents per share)	3.42	4.22	1.98	2.32	6.27

DIRECTORS' REPORT

ADDITIONAL DISCLOSURES RELATING TO KEY MANAGEMENT PERSONNEL

Shareholding

The number of shares in the company held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

Ordinary Shares	Balance at the start of the year	Granted	Additions	Disposals/other	Balance at the end of the year
F Poullas	7,642,215	-	1,828,711	-	9,470,926
J C Jooste-Jacobs	4,350,169	-	1,060,000	(237,312)	5,172,857
P Tsegas	-	-	20,000	-	20,000
C Johnstone!	116,666	-	-	-	116,666
S B Hunt (resigned 14 Dec 2015)*	3,367,538	-	500,000	(315,000)	3,552,538
L Eldridge!	-	-	-	-	-
F Houllis	56,727	-	-	(45,381)	11,346
R J Chittenden	900,167	-	1,600,167	(1,450,000)	1,050,334
	16,433,482	-	5,008,878	(2,047,693)	19,394,667

* at time of resignation as Director. ! opening balance as at 27 May 2016

Option holding

The number options over ordinary shares in the company held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

Options over ordinary shares	Balance at the start of the year	Granted	Additions/ Disposals	Exercised	Balance at the end of the year#
F Poullas	5,560,500	-	(125,000)	(795,000)	4,640,500
J C Jooste-Jacobs	1,372,857	-	50,000	(1,060,000)	362,857
P Tsegas	-	750,000	-	-	750,000
C Johnstone!	-	-	-	-	-
S B Hunt (resigned 14 Dec 2015)*	850,000	-	(16,913)	(500,000)	333,087
L Eldridge!	1,000,000	-	-	-	1,000,000
F Houllis	2,278,486	-	-	-	2,278,486
R J Chittenden	2,350,167	-	-	(1,600,167)	750,000
	13,412,010	750,000	(91,913)	(3,955,167)	10,114,930

* at time of resignation as Director. ! opening balance as at 27 May 2016 # all options vest immediately and are exercisable at anytime

Right holding

The number of rights to shares in the company tied to seven tranches of performance hurdles held during the financial year by each director is set out below:

Rights over ordinary shares	Balance at the start of the year	Granted	Lapsed	Balance at the end of the year
F Poullas	500,000	-	(500,000)	-
J C Jooste-Jacobs	500,000	-	(500,000)	-
P Tsegas	-	-	-	-
C Johnstone!	-	-	-	-
S B Hunt (resigned 14 Dec 2015)*	500,000	-	(500,000)	-
L Eldridge!	-	-	-	-
F Houllis	-	-	-	-
R J Chittenden	-	-	-	-
	1,500,000	-	(1,500,000)	-

* at time of resignation as Director. ! opening balance as at 27 May 2016

DIRECTORS' REPORT

OTHER TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL AND THEIR RELATED PARTIES

During or since the financial year, no Director of the Company has received or become entitled to receive a benefit, other than a benefit included in the aggregate amount of emoluments received or due and receivable by the Directors shown in the consolidated accounts, by reason of a contract entered into by the Company or an entity that the Company controlled or a body corporate that was related to the Company when the contract was made or when the Director received, or became entitled to receive, the benefit with:

» a Director, or
» a firm of which a Director is a member, or
» an entity in which a Director has substantial financial interest except the usual professional fees for their services paid by the Company to:

Identity of Related Party	Nature of Relationship	Type of Transaction	Terms & Conditions of Transaction	Aggregate Amount 2016 $	Aggregate Amount 2015 $
Strong Solutions Pty Limited	Frank Poullas is a related party of Strong Solutions Pty Limited and a director of Magnis Resources Limited	Consulting Fees and PP&E purchases	Normal commercial terms	327,817	159,765
Minerals and Metal Marketing	Stephen Hunt is a related party of Minerals and Metal marketing and a director of Magnis Resources Limited	Consulting Fees	Normal commercial terms	32,946	63,000
Fivemark Capital	Len Eldridge is a related party of Fivemark Capital and a Director of Magnis Resources Limited	Consulting Fees and Share based payment	Normal commercial terms	184,634	-
Peter Tsegas	Peter Tsegas is a Director of Magnis Resources Ltd	Consulting Fees	Normal commercial terms	56,494	-

2015 REMUNERATION REPORT

The Remuneration Report received positive shareholder support from members (95%) at the 2015 Annual General Meeting.

This concludes the remuneration report, which has been audited

SHARES UNDER OPTION OR ISSUED ON EXERCISE OF OPTIONS

Details of unissued shares or interests under option as at 30 June 2016 in Magnis Resources Limited are:

Number of Ordinary Shares under Option	Class of Shares	Original Exercise Price of Option $	Modified Exercise Price of Option[!] $	Expiry Date of Option
125,000	Ordinary	0.18	0.17533	17-Nov-16
500,000	Ordinary	0.29	0.28533	31-Mar-17
750,000	Ordinary	0.225	0.22033	17-Nov-17
750,000	Ordinary	0.3	0.29533	17-Nov-17
1,500,000	Ordinary	0.4	0.39533	30-Nov-17
1,500,000	Ordinary	0.4	unchanged	30-Nov-17
1,000,000	Ordinary	0.6	unchanged	30-Nov-17
3,500,000	Ordinary	0.35	0.34533	30-Jan-18
3,000,000	Ordinary	0.3	0.29533	3-Feb-18
1,500,000	Ordinary	0.5	unchanged	23-Feb-18
1,000,000	Ordinary	0.5	0.49533	6-Nov-18
1,000,000	Ordinary	0.4	0.39533	6-Nov-18
375,000	Ordinary	0.35	unchanged	6-Nov-18
375,000	Ordinary	0.45	unchanged	6-Nov-18
117,672,741	Ordinary	0.1	0.09533	31-May-17

! Adjustment to the exercise price due to the ASX Listing Rule 7.22.3 following the demerger of Uranium Assets

DIRECTORS' REPORT

The holders of these options do not have the right, by virtue of the option, to participate in any share issue or interest issue of the Company or of any other body corporate or registered scheme. No voting rights attached to the options.

There were 95,806,548 (2015:2,070,255) shares issued during the 2016 financial year as a result of exercising of options.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

The Company has not agreed to indemnify all the directors and executive officers for any breach of laws by the Company for which they may be held personally liable. The agreement provides for the Company to pay liabilities or legal expenses to the extent permitted by law.

During or since the financial year, the Company has paid premiums insuring all the Directors of Magnis Resources Limited against costs incurred in defending proceedings for conduct other than:
(a) a wilful breach of duty;
(b) a contravention of sections 182 or 183 of the Corporations Act 2001,
as permitted by section 199B of the Corporations Act 2001.

The total amount of insurance contract premiums paid is confidential under the terms of the insurance policy.

INDEMNIFICATION AND INSURANCE OF AUDITOR

To the extent permitted by law, the Company has agreed to indemnify its auditors, BDO East Coast Partnership, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify BDO East Coast Partnership during or since the financial year.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the Court under Section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is party for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

SUBSEQUENT EVENTS

No other matter or circumstance has arisen since 30 June 2016, which has significantly affected, or may significantly affect the operations of the Group, the result of those operations or the state of the affairs of the Group in subsequent years.

NON-AUDIT SERVICES

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined below:

- Taxation services – Australia & Tanzania $157,831.

The directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.
The directors are of the opinion that the services as disclosed in note 20 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed & approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

ROUNDING OF AMOUNTS

The company is a company of the kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, dated 24 March 2016, and in accordance with that Corporations Instrument amounts in the directors' report and the financial statements are rounded off to the nearest dollar, unless otherwise indicated.

AUDITOR INDEPENDENCE

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 30.
Signed in accordance with a resolution of the Directors, pursuant to section 298(2)(a) of the Corporations Act 2001.
On behalf of the directors

F. Poullas

F Poullas
Non - Executive Chairman
Sydney, 16 September 2016

AUDITOR'S INDEPENDENCE DECLARATION

BDO

Tel: +61 2 9251 4100
Fax: +61 2 9240 9821
www.bdo.com.au

Level 11, 1 Margaret St
Sydney NSW 2000

Australia

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

As lead auditor of Magnis Resources Limited for the year ended 30 June 2016, I declare that, to the best of my knowledge and belief, there have been:

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

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

Gareth Few

Gareth Few

Partner

BDO East Coast Partnership

Sydney, 16 September 2016

CORPORATE GOVERNANCE STATEMENT

The Company is committed to the pursuit of creating value for shareholders, while at the same meeting shareholders' expectations of sound corporate governance practices. As with all its business activities, the Company is proactive in respect of corporate governance and puts in place those arrangements which it considers are in the best interests of shareholders, and consistent with its responsibilities to other stakeholders.

THE BOARD OF DIRECTORS

The Board determines the corporate governance arrangements of the Company.

This statement discloses the Company's adoption of the Corporate Governance Principles and Recommendations (3rd edition) (the "Principles") released by the Australian Securities Exchange Corporate Governance Council in March 2014, effective 1 July 2014. The Principles can be viewed at www.asx.com.au. The Principles are not prescriptive; however, listed entities (including the Company) are required to disclose the extent of their compliance with the Principles, and to explain why they have not adopted a Principle (the 'if not, why not' approach). The Principles have operated throughout the year unless otherwise indicated.

The table at the end of this statement provides cross references between the disclosures and statements in this Corporate Governance Statement and the relevant Principles

ROLE OF THE BOARD

The Directors must act in the best interest of the Company and in general are responsible for, and have the authority to determine, all matters relating to the policies, management and operations of the Company.

The Board's responsibilities, in summary, include:

» providing strategic direction and reviewing and approving corporate strategic initiatives;

» overseeing and monitoring organisational performance and the achievement of the Company's strategic goals and objectives;

» appointing, monitoring the performance of, and, if necessary, removing the Managing Director;

» ratifying the appointment or removal, and contributing to the performance assessment of the members of the senior management team;

» planning for Board and executive succession;

» ensuring there are effective management processes in place and approving major corporate initiatives;

» adopting an annual budget and monitoring management and financial performance and plans;

» monitoring the adequacy, appropriateness and operation of internal controls;

» identifying significant business risks and reviewing how they are managed;

» considering and approving the Company's Annual Financial Report and the interim financial and activities reports;

» enhancing and protecting the reputation of the Company;

» reporting to, and communicating with, shareholders; and

» setting business standards and standards for social and ethical practices.

Day to day management of the Company and implementation of Board policies and strategies has been formally delegated to senior executives and management. It is the responsibility of the Board to oversee the activities of management in executing delegated tasks. In particular, the Board has delegated management responsibility for:

» delivering key objectives and milestones in accordance with market expectation as are set by the Company;

» developing project budgets for capital and operating expenditure for Board review and if appropriate, approval;

» developing and maintaining an effective risk management framework and keeping the Board and the market fully informed about risk;

» the prudent management of the Company's cash reserves in accordance with the approved annual operating budget;

» regulatory compliance across all jurisdictions in which the Company undertakes business covering amongst other things health and safety, tax, accounting and company reporting.

COMPOSITION OF THE BOARD

The entire Board comprises four non-executive Directors and one executive Director with a broad range of skills, expertise and experience, and all of whom add value to the operation of the Board. The Board comprises a majority of independent Directors (four out of five), while the Non Executive Chairman is a significant shareholder.

CORPORATE GOVERNANCE STATEMENT

The independence of Directors is important to the Board. Independence is determined by objective criteria acknowledged as being desirable to protect investor interests and optimise value to investors. The Board regularly assesses the independence of its Directors. In determining the status of a Director, the Company considers that a Director is independent when he or she is independent of management and free of any business or other relationship (for example a significant shareholding) that could materially interfere with, or could reasonably be perceived to interfere with the exercise of unfettered and independent judgement. The Company's criteria for assessing independence are in line with standards set by the Principles.

The appointment and removal of Directors is governed by Company's constitution. Under the Constitution the Board must comprise of a minimum of three Directors. Given the Board is majority Non Executive, and by a significant majority independent, the Board does not maintain a Nomination Committee, and is itself responsible for selecting and approving its own candidates to fill any casual vacancies that may arise on the Board from time to time. Directors who have been appointed to fill casual vacancies must offer themselves for re-election at the next annual general meeting of the Company. In addition, at each annual general meeting, at least one Director must be a candidate for re-election and no Director shall serve more than three years without being a candidate for re-election.

In making decisions regarding the appointment of Directors, the Board assesses the appropriate mix of skills, experience and expertise required by the Board and assesses the extent to which the required skills and experience are represented on the Board. When a vacancy exists, the Board determines the selection criteria based on the skills deemed necessary. The Board identifies potential candidates, and if appropriate, will utilise an external consultant to assist in identifying potential candidates. The Board then appoints the most suitable candidate.

The Board will undertake appropriate background checks and screening checks prior to nominating a Director for election by shareholders and provides to shareholders all material information in its possession concerning the Director standing for election or re-election in the explanatory notes to accompany the notice of meeting. New Directors will participate in an induction program to assist them to understand the Company's business and the particular issues it faces.

The Board collectively has the right to seek independent professional advice as it sees fit. Each Director individually has the right to seek independent professional advice, subject to the approval of the Chairman. All Directors have direct access to the Company Secretary.

Directors also have complete access to the senior management team. In addition to regular reports by senior management to the Board meetings, Directors may seek briefings from senior management on specific matters and are entitled to request additional information at any time when they consider it appropriate.

BOARD COMMITTEES

The Board generally operates as a whole across the range of its responsibilities but, to increase its effectiveness, uses committees where closer attention to particular matters is required given the nature and scale of the Company's operations.

The Board maintains three Board Committees covering Remuneration, Audit, and Sustainability. Details regarding the number of Board meeting and committee meetings held during the year and the attendance of each member is set out in the 2016 Annual Report.

Remuneration Committee

The Remuneration Committee comprised three Non-Executive Directors, which during the reporting period comprised Mr. S B Hunt (Chairman), Mr. J C Jooste-Jacobs and Mr. F Poullas. Mr. S B Hunt resigned as Director of the Company on 14 December 2015. Mr. C Johnstone was appointed to the Remuneration Committee on 1 June 2016. Mr. J C Jooste-Jacobs was appointed Chairman of the Remuneration Committee on 1 January 2016.

The Remuneration Committee advises the Board on remuneration and incentive policies and practices. It makes specific recommendations on remuneration packages and other terms of employment for senior executives and Non Executive and Executive Directors.

Any increase in the maximum remuneration of Non Executive and Executive Directors is the subject of shareholder resolution in accordance with the Company's constitution, the Corporations Act and the ASX Listing Rules, as applicable. The apportionment of Non Executive and Executive Director remuneration within that maximum will be made by the Board having regard to the inputs and value to the Company of the respective contributions by each Non Executive and Executive Director.

The Board may award additional remuneration to Non Executive and Executive Directors called upon to perform extra services or undertake special duties on behalf of the Company.

Audit Committee

The Audit Committee also comprised three Non Executive Directors which for the reporting period comprised Mr. J C Jooste-Jacobs (Chairman), Mr. F Poullas, and Mr. S B Hunt and Mr. P Tsegas. Mr. S B Hunt resigned as Director of the Company on 14 December 2015. Mr. P Tsegas was appointed to the Audit Committee on 11 March 2016.

The main responsibilities of the Audit Committee are to:

» review and report to the Board on the periodic reports and financial statements;

» provide assurance to the Board that it is receiving adequate, timely and reliable information;

- assist the Board in reviewing effectiveness of the Company's internal control environment covering;
- compliance with applicable laws and regulations;
- reliability of financial reporting; and
- liaise with the external auditors and ensure that the annual audit and half-year review are conducted in an efficient manner.

The Audit Committee reviews the performance of the external auditors on an annual basis. A representative of the committee meets with them during the year to discuss the external audit plan, any significant problems that may arise, and to review the fees proposed for the audit work to be performed.

Any written matters raised by the auditors are discussed and dealt with at full board meetings. The auditors, by request, may attend audit committee meetings and board meetings to discuss any matter that they believe warrants attention by the Board. The auditors also attend shareholder meetings of the Company.

Sustainability Committee

The Sustainability Committee members for the reporting period comprised Mr. F Poullas, Mr. R J Chittenden (Head of Operations) and Mr. P Tsegas. Mr. F Poullas was Chairman from 1 July 2015 to 31 December 2015 and Mr. P Tsegas was appointed Chairman from 1 January 2016 when he was appointed to the Sustainability Committee. The main responsibility of the Sustainability Committee is to be satisfied that effective measures, systems and controls, are in place in relation to:

- environmental, community, occupational health and safety, radiation protection and other sustainability issues that have material strategic and business implications;
- significant safety, health and environmental incidents;
- reporting by the Company should accord with the Global Reporting Initiative guidelines; and
- the integrity of the Company and the ethical standards of the Directors and the employees, are maintained to the highest levels.

PERFORMANCE EVALUATION AND REMUNERATION

Performance Evaluation

In prior reporting periods, the Board has not undertaken any level of formal performance evaluation of Directors. At an informal level however, the Chairman frequently consults in each reporting period with the other Directors seeking guidance on ways in which the Board as a whole, as well as each individual Director, can improve its contribution and performance to the execution by the Board of its responsibilities.

It is proposed that a performance review will be annual and will involve all Directors completing a questionnaire including allowance for additional comments or raising any issues relating to the Board's or a Committee's operation. The results of the review will be compiled by the Chairman and discussed with Board members as a whole at an appropriate Board meeting. The purpose of the review is to assess the strengths and weaknesses of the Board and Committees, and identify areas that might be improved. The findings of the performance review will be considered by the Board and continue to be taken into account in identifying and nominating new candidates for appointment as Director, and in planning and conducting Board and committee matters. Directors are able to raise concerns regarding an individual Director's performance with the Chairman at any time during the year.

The performance of the Chief Executive Officer (CEO) is reviewed by the Board on a periodic basis. The Chairman co-ordinates the comments of all directors to provide a written assessment to the CEO.

The performance of the Company's senior executives is reviewed by the Chief Executive Officer as part of the annual remuneration review process and reported to the Remuneration Committee. The reviews usually take place in July/August of each year. Further details regarding the remuneration review process are set out in the Remuneration Report.

Director and Executive Remuneration

Remuneration levels are competitively set to attract and retain appropriately qualified and experienced personnel. Performance, duties and responsibilities, market comparison and independent advice are all considered as part of the remuneration process. The total remuneration paid to Directors and key management personnel for the reporting period is set out in the Remuneration Report.

Directors' fees are reviewed annually and are benchmarked against fees paid to Directors of similar organisations. Directors are not provided with retirement benefits other than statutory superannuation and do not participate in employee incentive schemes although are issued share based payment options as is set out in the Directors Report of the Annual Report.

To ensure that the Company's senior executives properly perform their duties, the following procedures are in place:

- performance is formally assessed twice each year as part of the Company's formal employee performance review process; the full year achievement review takes place in June at the end of the financial year;
- all senior management were assessed in terms of their achievement of agreed KPI's (both financial and non-financial) for the period;

CORPORATE GOVERNANCE STATEMENT

- there is a strong link between the outcomes of this performance review process and the subsequent remuneration review as outlined in the Remuneration Report; and,
- senior management are provided with access to continuing education to update and enhance their skills and knowledge.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Company has a formalised risk management framework encompassing market, financial, liquidity and corporate governance risk. The identification and effective management of risk, including calculated risk taking is viewed as an essential part of the Company's approach to creating long term shareholder value. Compliance with risk management policies is monitored by the Board.

GOVERNANCE POLICIES

Integrity, ethical standards and compliance

The Company is committed to being a good corporate citizen within all jurisdictions that it undertakes its business activities, and the Board has undertaken to ensure that the Company implements:

- practices necessary to maintain confidence in the company's integrity;
- practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders; and,
- responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

While the Company has not as yet adopted a Code of Conduct for its Directors and employees, it has delegated the responsibility of maintaining corporate integrity and ethical behaviour to the Sustainability Committee. That Committee seeks to set the standards for dealing ethically with employees, investors, customers, regulatory bodies and the financial and wider community, and the responsibility and accountability of individuals for reporting and investigating reports of unethical behaviour.

Directors are provided with Board reports in advance of Board meetings which contain sufficient information to enable informed discussion of all agenda items.

The Board has the responsibility for the integrity of the Company's financial reporting. To assist the Board in fulfilling its responsibility, the processes discussed below have been adopted with a view to ensuring that the Company's financial reporting is a truthful and factual presentation of the Company's financial performance and position.

Dealing in Securities

The Company has in place a formal Security Trading Policy which regulates the manner in which Directors and staff involved in the management of the Company can deal in Company securities. It requires that they conduct their personal investment activities in a manner that is lawful and avoids conflicts between their own interests and those of the Company and contains all contents suggested in the ASX Corporate Governance Principles and Recommendations.

The policy specifies trading blackouts as the periods during which trading securities cannot occur. Trading is always prohibited if the relevant person is in possession of non-public price sensitive information regarding the Company. A copy of the current Security Trading Policy is available on the Company's website.

Diversity

The Company recognises the value contributed by employing people with varying skills, cultural backgrounds, ethnicity and experience and believes its diverse workforce is the key to its continued growth, improved productivity and performance.

The Company actively values and embraces the diversity of its employees and is committed to creating an inclusive workplace where everyone is treated equally and fairly and where discrimination, harassment and inequity is not tolerated. The Company is committed to fostering diversity at all levels. However, no measurable objectives were set during the reporting period.

The Company's gender diversification targets were generally not met during the year owing to unfavourable fiscal circumstances for our industry that resulted in workforce numbers remaining relatively the same, which precluded any increased employment opportunities, however an additional female accountant was appointed to the employment team in June.

Health, safety and environment

The Company has continued its emphasis on health and safety in the workplace with the aim of ensuring that people achieve outcomes in a safe manner, thereby contributing to operational effectiveness and business sustainability. The Company has an occupational health and safety plan and a management system in place. The Company's safety performance is reported regularly to the Board to assist the Board in monitoring compliance with the Company's policy and the relevant regulatory requirements.

During the reporting period there were no reported environmental incidents and no Lost Time Injuries (LTI's).

CORPORATE GOVERNANCE STATEMENT

CONTINUOUS DISCLOSURE AND COMMUNICATIONS WITH SHAREHOLDERS

The Company is committed to providing relevant and timely information to its shareholders and to the broader market, in accordance with its obligations under the ASX continuous disclosure regime.

The Board complies with the following processes to ensure that information is communicated to shareholders and the wider market:

- the Company's website is updated regularly with business activity information and is linked to all announcements published on the ASX www.magnis.com.au;
- the Annual Report is distributed to eligible shareholders. The Board ensures that the Annual Report includes relevant information about the operations of the group during the year, changes in the state of affairs of the group and details of future developments, in addition to other disclosures required by Corporations Act 2001;
- quarterly reports and half-yearly financial statements are lodged with the ASX and copies are sent to any shareholder upon request;
- any proposed major changes in the group which may impact on the share ownership rights would be submitted to a vote of shareholders;
- the Board ensures that the continuous disclosure requirements of the ASX are fully complied with, ensuring that shareholders are kept informed on significant events affecting the group; and
- investor roadshows are held periodically throughout Australia and internationally. Where they contain new information, investor and roadshow presentations are released to the ASX and included on the Company's website.

CONTINUOUS REVIEW OF CORPORATE GOVERNANCE

Directors consider, on an ongoing basis, how management information is presented to them and whether such information is sufficient to enable them to discharge their duties as Directors of the Company. Such information must be sufficient from time to time in light of changing circumstances and economic conditions. The Directors recognise that mineral exploration is an inherently risky business and that operational strategies adopted should, notwithstanding, be directed towards improving or maintaining the net worth of the Company.

ASX Principle		Compliance
Principle 1: Lay solid foundation for management and oversight		
1.1	A listed entity should disclose: (a) the respective roles and responsibilities of its Board and management; and, (b) those matters expressly reserved to the Board and those delegated to management.	Comply
1.2	A listed entity should: (a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a Director; and, (b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a Director.	Comply
1.3	A listed entity should have a written agreement with each Director and senior executive setting out the terms of their appointment.	Comply
1.4	The Company Secretary of a listed entity should be accountable directly to the Board, through the Chair, on all matters to do with the proper functioning of the Board.	Comply
1.5	A listed entity should: (a) have a diversity policy which includes requirements for the Board or a relevant committee of the Board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them; (b) disclose that policy or a summary of it; and, (c) disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the Board or a relevant Committee of the Board in accordance with the entity's diversity policy and its progress towards achieving them, and either: (1) the respective proportions of men and women on the Board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or (2) if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act.	Does not comply. Refer to "Diversity" in the Corporate Governance Statement
1.6	A listed entity should: (a) have and disclose a process for periodically evaluating the performance of the Board, its committees and individual Directors; and (b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.	Comply

CORPORATE GOVERNANCE STATEMENT

	ASX Principle	Compliance
1.7	A listed entity should: (a) have and disclose a process for periodically evaluating the performance of its senior executives; and, (b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.	Comply
	Principle 2: Structure the Board to add value	
2.1	The Board of a listed entity should: (a) have a nomination committee which: (1) has at least three members, a majority of whom are independent Directors; and (2) is chaired by an independent Director, and disclose: (3) the charter of the committee; (4) the members of the committee; and (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have the nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.	Does not comply. Refer to "Composition of the Board" in the Corporate Governance Statement.
2.2	A listed entity should have and disclose a Board skills matrix setting out the mix of skills and diversity that the Board currently has or is looking to achieve in its membership.	Does not Comply. The Board intends however to implement a skills matrix to achieve this principle..
2.3	A listed entity should disclose: (a) the names of the Directors considered by the Board to be independent Directors; (b) if a Director has an interest, position, association or relationship of the type described in Box 2.3 but the Board is of the opinion that it does not compromise the independence of the Director, the nature of the interest, position, association or relationship in question and an explanation of why the Board is of that opinion; and (c) the length of service of each Director.	Comply
2.4	A majority of the Board of a listed entity should be independent Directors.	Comply
2.5	The chair of the Board of a listed entity should be an independent Director and, in particular, should not be the same person as the CEO of the entity.	Does not comply. The Chairman is a Non-Executive Director and a significant shareholder. However, three of the other four Directors are Non Executive and independent. The Chairman is not the same person as the CEO of the Company.
2.6	A listed entity should have a program for inducting new Directors and provide appropriate professional development opportunities for Directors to develop and maintain the skills and knowledge needed to perform their role as Directors effectively.	Comply
	Principle 3: Act ethically and responsibly	
	A listed entity should: (a) have a code of conduct for its Directors, senior executives and employees; and (b) disclose that code or a summary of it.	Does not comply. However, the Sustainability Committee has been delegated the task of monitoring and ensuring the integrity of the Directors and employees and their ethical behaviour.

CORPORATE GOVERNANCE STATEMENT

ASX Principle		Compliance
Principle 4: Safeguard integrity in corporate reporting		
4.1	The Board of a listed entity should: (a) have an Audit Committee which: (1) has at least three members, all of whom are non-executive Directors and a majority of whom are independent Directors; and (2) is chaired by an independent Director, who is not the chair of the Board, and disclose: (3) the charter of the committee; (4) the relevant qualifications and experience of the members of the committee; and (5) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings.	Comply
4.2	The Board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.	Comply
4.3	A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.	Comply
Principle 5: Make timely and balanced disclosure		
5.1	A listed entity should: (a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and, (b) disclose that policy or a summary of it.	Comply
Principle 6: Respect the rights of security holders		
6.1	A listed entity should provide information about itself and its governance to investors via its website.	Comply
6.2	A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.	Comply
6.3	A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.	Comply
6.4	A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.	Comply
Principle 7: Recognise and manage risk		
7.1	The Board of a listed entity should: (a) have a committee or committees to oversee risk, each of which: (1) has at least three members, a majority of whom are independent Directors; and (2) is chaired by an independent Director, and disclose: (3) the charter of the committee; (4) the members of the committee; and (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings;	Does not comply. Currently risk and risk mitigation is managed by the Board as a whole.
7.2	The Board or a committee of the Board should: (a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and (b) disclose, in relation to each reporting period, whether such a review has taken place.	Comply
7.3	A listed entity should disclose: (a) if it has an internal audit function, how the function is structured and what role it performs; or (b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.	Comply

CORPORATE GOVERNANCE STATEMENT

ASX Principle		Compliance
7.4	A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.	Comply
Principle 8: Remunerate fairly and responsibly		
8.1	The Board of a listed entity should: (a) have a remuneration committee which: (1) has at least three members, a majority of whom are independent Directors; and (2) is chaired by an independent Director, and disclose: (3) the charter of the committee; (4) the members of the committee; and (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings.	Comply
8.2	A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive Directors and the remuneration of executive Directors and other senior executives.	Comply
8.3	A listed entity which has an equity-based remuneration scheme should: (a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and (b) disclose that policy or a summary of it.	Does not comply. The current Remuneration Policy that is disclosed in the Annual Report document does not cover the areas of use of derivatives or otherwise, however the Remuneration Committee will look at possibly implementing changes in this area.

All references are to sections of this Corporate Governance Statement unless otherwise stated.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

YEAR ENDED 30 JUNE 2016

		Consolidated	
	Notes	2016 $	2015 $
Income			
Interest received		27,346	59,347
R&D Grant		129,996	-
Other revenue		8,741	17,483
Total income		**166,083**	**76,830**
Expenditure			
Administration expenses		1,515,443	1,060,266
Depreciation expense		33,889	107,128
Employee benefits expense		1,097,912	1,423,138
Legal and consulting expenses		1,439,724	1,162,842
Foreign exchange loss		322,174	394,537
Share based payment to non-employees	26(a)	1,737,150	283,000
Exploration and evaluation expenses		7,793,472	8,890,495
Total expenditure		**13,939,764**	**13,321,406**
Gain from demerger activities	13	1,746,900	-
(Loss) before income tax expense		**(12,026,781)**	**(13,244,576)**
Income tax expense	5	-	-
Net (loss) for the year from continuing operations		**(12,026,781)**	**(13,244,576)**
Other comprehensive income/(loss)			
Items that may be subsequently reclassified to profit or loss			
Foreign currency translation		301,020	568,957
Other comprehensive income / (loss) for the year, net of tax		**301,020**	**568,957**
Total comprehensive income / (loss) for the year, net of tax		**(11,725,761)**	**(12,675,619)**
Basic loss per share (cents per share)	21	3.42	4.22
Diluted loss per share (cents per share)	21	3.42	4.22

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

STATEMENT OF FINANCIAL POSITION

YEAR ENDED 30 JUNE 2016

		Consolidated	
	Notes	2016 $	2015 $
Current assets			
Cash and cash equivalents	6, 16(b)	7,208,404	2,817,006
Trade and other receivables	7	212,101	263,754
Total current assets		**7,420,505**	**3,080,760**
Non current assets			
Other receivables	8	67,391	50,000
Property, plant & equipment	9	92,057	69,545
Total non current assets		**159,448**	**119,545**
Total assets		**7,579,953**	**3,200,305**
Current liabilities			
Trade and other payables	10	544,417	721,972
Provisions	11	150,854	193,848
Total current liabilities		**695,271**	**915,820**
Non current liabilities			
Provisions	11	19,675	56,871
Total non current liabilities		**19,675**	**56,871**
Total liabilities		**714,946**	**972,691**
Net assets		**6,865,007**	**2,227,614**
Equity			
Contributed equity	12(a)	87,476,445	72,137,802
Reserves	15	7,134,673	6,490,695
Accumulated Profits/(Losses)		(87,746,111)	(76,400,883)
Total equity		**6,865,007**	**2,227,614**

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

STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 30 JUNE 2016

	Notes	Issued Capital $	Options $	Share Based Payment Reserves $	Foreign Currency Translation Reserve $	Accumulated (Losses) $	Total Equity $
At 1 July 2015		70,162,879	1,974,923	1,892,579	4,598,116	(76,400,883)	2,227,614
Loss for the period		-	-	-	-	(12,026,781)	(12,026,781)
Other comprehensive income/(loss)		-	-	-	301,020	-	301,020
Total comprehensive income/(loss) for the year		**-**	**-**	**-**	**301,020**	**(12,026,781)**	**(11,725,761)**
Transactions with owners in their capacity as owners							
Contributions of equity, net of transaction costs		16,342,678	-	-	-	-	16,342,678
Share based payments	26	-	-	1,787,376	-	-	1,787,376
Demerger distribution	13	(1,766,900)	-	-	-	-	(1,766,900)
Reclassification from reserve		762,865	-	(1,444,418)	-	681,553	-
At 30 June 2016		85,501,522	1,974,923	2,235,537	4,899,136	(87,746,111)	6,865,007

	Notes	Issued Capital $	Options $	Share Based Payment Reserves $	Foreign Currency Translation Reserve $	Accumulated (Losses) $	Total Equity $
At 1 July 2014		60,731,047	1,974,923	1,337,579	4,029,159	(63,156,307)	4,916,401
Loss for the period		-	-	-	-	(13,244,576)	(13,244,576)
Other comprehensive income/(loss)		-	-	-	568,957	-	568,957
Total comprehensive income/(loss) for the year		-	-	-	**568,957**	**(13,244,576)**	**(12,675,619)**
Transactions with owners in their capacity as owners							
Contributions of equity, net of transaction costs		9,431,832	-	-	-	-	9,431,832
Share based payments	16	-	-	555,000	-	-	555,000
At 30 June 2015		70,162,879	1,974,923	1,892,579	4,598,116	(76,400,883)	2,227,614

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

STATEMENT OF CASH FLOWS

YEAR ENDED 30 JUNE 2016

	Notes	Consolidated 2016 $	2015 $
Cash flows from operating activities			
Payments to suppliers and employees		(4,037,716)	(3,268,768)
Payment of exploration expenditure		(8,001,926)	(8,040,873)
Interest received		27,394	60,537
R&D grant		129,996	-
Other receipts		8,741	17,483
Net cash from/(used in) operating activities	16(a)	**(11,873,511)**	**(11,231,621)**
Cash flows from investing activities			
Acquisition of property, plant & equipment		(55,998)	(60,940)
Payment of initial contribution to Uranium Africa Ltd		(20,000)	-
Net cash flows (used in) investing activities		**(75,998)**	**(60,940)**
Cash flows from financing activities			
Proceeds from issues/sale of ordinary shares and options		16,697,155	9,959,971
Capital raising expenses		(355,533)	(528,140)
Net cash flows from /(used in) financing activities		**16,341,621**	**9,431,831**
Net increase/(decrease) in cash and cash equivalents		4,392,112	(1,860,729)
Net foreign exchange differences		(714)	25,389
Add opening cash and cash equivalents		2,817,006	4,652,346
Closing cash and cash equivalents	16(b)	**7,208,404**	**2,817,006**

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial report are set out below. The financial report covers the consolidated group of Magnis Resources Limited and controlled entities ("the Group"). Magnis Resources Limited is a company, limited by shares, incorporated in Australia whose shares are publicly traded on Australian Securities Exchange ("ASX").

The following is a summary of the material accounting policies adopted by the consolidated Group in the preparation of the financial report. The accounting policies have been consistently applied to all years presented, unless otherwise stated.

Basis of preparation

The financial report is a general purpose financial report for a 'for-profit' entity that has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001. The financial report has been prepared on an accruals basis under the historical cost convention, as modified by the revaluation of selected non current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

The financial report is prepared in Australian dollars.

Going concern

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

For the year ended 30 June 2016 the Group reported a net loss of $12,026,781 (2015: $13,244,576) and net operating cash outflows of $11,873,511 (2015: $11,231,621). The operating cash outflows have been funded by cash inflows from equity raisings of $16,697,155 (2015: $9,959,971) during the year. As at 30 June 2016 the Group had net current assets of $ 6,725,234 (2015: $2,164,941) including cash reserves of $7,208,404 (2015: $2,817,006).

The balance of these cash reserves may not be sufficient to meet the Group's planned expenditure and evaluation budget, including exploration activities, evaluation, operating and administrative expenditure, for the 12 months to 30 June 2017. The Group has exploration and evaluation commitments over the next 12 months totalling $767,351 and additional planned expenditure. In order to fully implement its exploration strategy, the Group will require additional funds.

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

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

- » A further equity capital raising including the exercise of options;
- » The potential farm out of participating interests in the Group's tenements; and / or
- » The generation of sufficient funds from operating activities including the successful development of the existing tenements.

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

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

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

Compliance with IFRS

The financial report of the Group complies with Australian Accounting Standards and International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

The financial statements were authorised for issue by the directors on 16 September 2016.

New accounting standards and interpretations

(i) Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year.

(ii) Accounting Standards and Interpretations issued but not yet effective

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective and have not

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2016

been adopted by the Group for the annual reporting period ending 30 June 2016 are outlined in the table below:

Standard/Interpretation	Effective for the annual reporting period beginning on	Expected to be initially applied in the financial year ending
AASB 9 Financial Instruments	January 1, 2018	June 30, 2019
AASB 15 Revenue from Contracts with Customers	January 1, 2018	June 30, 2019
AASB 16 Leases	January 1, 2019	June 30, 2020
AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101	January 1, 2016	June 30, 2017
AASB 2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107	January 1, 2017	June 30, 2018

The Directors have not yet assessed whether the above amendments and interpretations will have a material impact on the financial report of the Group in the year or period of initial application.

Principles of consolidation

The consolidated financial statements are those of the consolidated entity, comprising Magnis Resources Limited (the parent entity), special purpose entities and all entities which Magnis Resources Limited controlled from time to time during the year and at reporting date. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee

A list of controlled entities and special purpose entities is contained in note 25.

Specifically, the Group controls an investee if and only if the Group has:

» Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
» Exposure, or rights, to variable returns from its involvement with the investee, and
» The ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

» The contractual arrangement with the other vote holders of the investee
» Rights arising from other contractual arrangements
» The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the noncontrolling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

» De-recognises the assets (including goodwill) and liabilities of the subsidiary
» De-recognises the carrying amount of any non-controlling interests
» De-recognises the cumulative translation differences recorded in equity
» Recognises the fair value of the consideration received

» Recognises the fair value of any investment retained
» Recognises any surplus or deficit in profit or loss
» Reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities

Subsidiaries are recorded as a component of other revenues in the separate income statement of the parent entity, and do not impact the recorded cost of the investment. Upon receipt of dividend payments from subsidiaries, the parent will assess whether any indicators of impairment of the carrying value of the investment in the subsidiary exist. Where such indicators exist, to the extent that the carrying value of the investment exceeds its recoverable amount, an impairment loss is recognised.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

» Derecognises the assets (including goodwill) and liabilities of the subsidiary
» Derecognises the carrying amount of any non-controlling interest
» Derecognises the cumulative translation differences recorded in equity
» Recognises the fair value of the consideration received
» Recognises the fair value of any investment retained
» Recognises any surplus or deficit in profit or loss
» Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate

Segment reporting

An operating segment is a distinguishable component of the entity that is engaged in providing products or services that are subject to risks and returns that are different to those of other operating segments.

Operating segments that meet the quantitative criteria as prescribed by AASB 8 are reported separately. However, an operating segment that does not meet the quantitative criteria is still reported separately where information about the segment would be useful to users of the financial statements.

Property, plant and equipment

Each class of property, plant and equipment is carried at cost less, where applicable, any accumulated depreciation and impairment losses.

The cost of fixed assets constructed within the Group includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads. 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. All other repairs and maintenance are charged to profit and loss during the financial period in which they are incurred.

Depreciation

Depreciation is provided on plant and equipment, motor vehicles, office equipment, furniture and fittings, and is calculated on a straight line basis, commencing from the time the asset is first used, so as to write off the net costs of each asset over the expected useful life. The following useful lives are used in the calculation of depreciation;

» Plant & equipment	2 to 5 years
» Vehicles	2 to 5 years
» Office equipment, furniture & fittings	2 to 20 years

Both asset residual value and useful life are reviewed, and adjusted if appropriate, at each reporting date.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

Impairment of assets

At each reporting date, the Group reviews the carrying values of its property, plant & equipment assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to profit or loss.

Where 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.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2016

Exploration and evaluation costs

Exploration and evaluation expenditure is expensed directly to profit and loss when incurred.

Operating leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use a specific asset or assets and the arrangement conveys a right to use the asset.

Leases under which the lessor retains substantially all of the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised in profit or loss on a straight-line basis over the lease term.

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of leased assets, and operating leases, under which the lessor effectively retains substantially all such risks and benefits.

Finance leases are capitalised. A lease asset and liability are established at the fair value of the leased assets, or if lower, the present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the finance costs, so as to achieve a constant rate of interest on the remaining balance of the liability.

Leased assets acquired under a finance lease are depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the consolidated entity will obtain ownership at the end of the lease term.

Income tax

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences, except:

» where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or

» when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be used, except:

» where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

» when the deductible temporary differences is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be applied.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the statement of financial position.

Tax consolidated group

Company and its wholly owned Australian subsidiaries have elected to form a tax consolidated group from 1 July 2015, with Magnis Resources Limited being the head entity within that group. These entities are taxed as a single entity.

Goods and services tax (GST and/or VAT)

Revenues, expenses and assets are recognised net of the amount of GST/VAT except:

» where the GST/VAT incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST/VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

» receivables and payables are stated with the amount of GST/VAT included.

The net amount of GST/VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2016

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST/VAT component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority, are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST/VAT recoverable from, or payable to, the taxation authority.

Withholding tax and other indirect taxes are incurred on amounts of VAT recoverable from, or payable to, the taxation authority.

Foreign currency translation

Functional and presentation currency

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are re-translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in profit or loss.

Financial statements of foreign operations

The financial results and position of foreign operations whose functional currency is not Australian dollars, the Group's presentation currency, are translated as follows:

» assets and liabilities are translated at year-end exchange rates prevailing at that reporting date;

» income and expenses are translated at average exchange rates for each month during the period.

Exchange differences arising on translation of foreign operations are transferred directly to the Group's foreign currency translation reserve in other comprehensive income. These differences are recognised in the statement of comprehensive income in the period in which the operation is disposed.

Trade and other receivables

Trade receivables, which generally have 30-60 day terms, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for impairment.

Collectability of trade receivables is reviewed on an ongoing basis. Debts that are uncollectible are written off when identified. An impairment provision is recognised where there is objective evidence that the Group will not be able to collect the receivable. Financial difficulties of the debtor, default payments or debts more than 60 days overdue are considered objective evidence of impairment. The amount of the impairment loss is the receivable carrying amount compared to the present value of estimated cash flows, discounted at the original effective interest rate.

Accounts payable

Trade and other payables are recognised when the Group becomes obliged to make further payments resulting from the purchase of goods and services and are measured at amortised cost using the effective interest method, less any impairment losses.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. The increase in the provision resulting from the passage of time is recognised in finance costs.

Employee benefits

Provision is made for employee benefits accumulated as a result of employees rendering services up to the reporting date. These benefits include wages and salaries, annual leave, and long service leave when it is probable that settlement will be required.

Liabilities arising in respect of wages and salaries, annual leave and any other employee benefits expected to be settled within twelve months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled including related on-costs, such as workers compensation and payroll tax. Non accumulating non monetary benefits, such as medical care, cars or subsidised goods and services, are expensed based on the net marginal cost to the Group as the benefits are taken by the employees.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2016

Share based payment transactions

The Group provides benefits to employees (including directors) of, and consultants to, the Group in the form of share-based payment transactions, whereby services are rendered in exchange for shares or rights over shares ('equity-settled transactions').

The cost of equity-settled transactions is measured by reference to the fair value at the date at which they are granted. The fair value of options and performance rights with market based performance criteria is determined by an external valuer using a binomial option pricing model. The fair value of performance plan rights with non-market performance criteria is determined by reference to the Company's share price at date of grant.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the recipient becomes fully entitled to the award ('vesting date').

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the number of awards that, in the opinion of the directors, based on the best available information at reporting date will ultimately vest. No adjustment is made for the likelihood of market conditions being met as the effect of these conditions is included in determination of fair value at grant date. The charge or credit for the period represents the movement in cumulative expense recognised as at the beginning and end of the period. Where awards vest immediately, the expense is also recognised in profit or loss.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition.

Where the terms of an equity-settled award are modified, as a minimum, an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Revenue recognition

Interest revenue is recognised as interest accrues using the effective interest method.

Rental revenue is accounted for on a straight line basis over the lease term. Contingent rental revenue is recognised as income in the periods in which it is earned.

Contributed equity

Ordinary shares are classified as equity. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

Earnings per share (EPS)

Basic earnings per share

Basic EPS is calculated as the profit (loss) attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares, divided by the weighted average number of ordinary shares outstanding during the financial year, adjusted for any bonus elements in ordinary shares issued during the year.

Diluted earnings per share

Diluted EPS adjusts the figures used in the determination of basic EPS to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Cash and cash equivalents

For statement of cash flows presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value, and bank overdrafts. Where applicable, bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principle market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interest. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified, into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed each reporting date and transfers between levels are determined based on a reassessment of the lowest level input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

Restatement of comparatives

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

2. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees and directors by reference to the fair value of the equity instruments at the date at which they are granted. The fair value of share options is determined by an external valuer using a binomial option pricing model that uses the assumptions detailed in note 26(f).

Indirect tax receivables and liabilities

The Group is subject to indirect taxes in Australia and the jurisdiction where it has foreign operations. Significant judgement is required in determining the amounts recorded as receivables for recovery of such taxes and payables for payment of such taxes. The Group is subject to an audit by a tax authority in a jurisdiction in which it operates. The tax authority is disputing the quantum of goods and services tax receivable and withholding taxes payable. Discussions with the relevant tax authority are ongoing. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. The Group has adequately recorded receivables and payables for the amounts it believes will ultimately be payable. Where the final outcome of any matters is different from amounts recorded, such differences will impact the indirect tax receivables or provision in the period in which such determination is made.

3. SEGMENT INFORMATION

Identification of reportable segments

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

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

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

Accounting policies and inter-segment transactions

The accounting policies used by the Group in reporting segments internally are per note 1 of the accounts. To avoid asymmetrical allocation within segments which management believe would be inconsistent policy is that if items of revenue and expense are not allocated to operating segments then any associated assets and liabilities are also not allocated to segments.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2016

	2016 Profit/(loss) before tax $	2016 Segment revenue $	2015 Profit/(loss) before tax $	2015 Segment revenue $
Segment results and revenues				
Segments				
Australia	(12,259,525)	739,416	(11,820,117)	574,297
East Africa	(7,241,142)	56	(1,044,548)	39
Inter-segment elimination	7,473,886	(573,389)	(379,911)	(379,911)
Consolidated	(12,026,781)	166,083	(13,244,576)	76,830

	2016 Segment assets $	2016 Segment liabilities $	2015 Segment assets $	2015 Segment liabilities $
Segment assets and liabilities				
Segments				
Australia	7,062,966	690,996	2,890,575	621,177
East Africa	557,820	52,500,333	334,128	43,958,630
Inter-segment elimination	(40,834)	(52,476,383)	(24,398)	(43,607,116)
Consolidated	7,579,952	714,946	3,200,305	972,691

4. DIVIDENDS PAID OR PROVIDED FOR ON ORDINARY SHARES

The Company divested non-core uranium assets in April 2016 via a demerger and in-specie distribution of shares in a new company, Uranium Africa Limited (UAL).

No dividends were paid or declared since the start of the financial year. No recommendation for payment of dividends has been made.

5. INCOME TAX

	Consolidated	
	2016 $	2015 $
Current income tax		
Current income tax credit/(expense)	801,952	3,957,184
Tax losses not recognised as not probable	(3,734,632)	(6,575,491)
	(2,932,680)	(2,618,307)
Deferred income tax		
Relating to origination and reversal of temporary differences	2,932,680	2,618,307
Tax losses brought to account to offset net deferred tax liability	-	-
	-	-
Income tax credit/(expense) reported in the Statement of Comprehensive Income	-	-
a) Statement of Changes in Equity		
Deferred income tax related to items charged or credited directly to equity		
Share issue costs	(3,202)	37,865
Deferred tax offset	3,202	(37,865)
Income tax benefit reported in Equity	-	-
b) Tax Reconciliation		
A reconciliation between tax expense and the product of accounting profit before income tax multiplied by the Group's applicable income tax rate is as follows:		
Accounting (loss) before tax	(12,026,781)	(13,244,576)
At the Group's statutory 30% tax rate (2015: 30%)	3,608,034	3,973,373
Share based payment expense	(536,213)	(131,400)

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2016

	Consolidated	
	2016 $	2015 $
Movement in temporary differences	20,036	2,612,941
Non-assessable debt forgiveness gain	169,914	-
Gain on demerger of uranium tenements	324,000	-
Non-assessable R&D offset income	38,999	-
Deductible option issue costs	109,862	120,577
Tax losses not brought to account	(3,734,632)	(6,575,491)
Income tax (expense) reported in the Statement of Comprehensive Income	-	-

At the reporting date, the Group has estimated tax losses of $78,895,129 (2015: $76,147,879) available to offset against future taxable income subject to continuing to meet relevant statutory tests. To the extent that it does not offset a deferred tax liability, a deferred tax asset has not been recognised for these losses because it is not probable that future taxable income will be available to use against such losses. Furthermore, a deferred tax liability arising from temporary differences of $2,673,631 (2015: $2,252,570) has not been recognised due to the tax losses above offsetting any liability that may arise in future.

6. CURRENT ASSETS - CASH AND CASH EQUIVALENTS

	Consolidated	
	2016 $	2015 $
Cash on hand	54,355	16,976
Cash at bank	7,154,049	2,800,030
	7,208,404	2,817,006

7. TRADE AND OTHER RECEIVABLES

	Consolidated	
	2016 $	2015 $
Accrued interest	123	171
Goods and services tax recoverable	54,116	29,044
Prepayments and other receivables	157,862	234,539
	212,101	263,754

8. NON CURRENT ASSETS - RECEIVABLES

	Consolidated	
	2016 $	2015 $
Security deposit	67,391	50,000
	67,391	50,000

The $50,000 bank guarantee for NAB overdraft facility and $17,391 for general security deposit with suppliers. This receivable is not past due nor impaired.

9. PROPERTY PLANT AND EQUIPMENT

Reconciliation of carrying amounts at the beginning and end of the year.

	Consolidated					
	Plant & equipment $	Office equipment $	Software $	Office furniture & fittings $	Motor vehicles $	Total $
Year ended 30 June 2016						
Balance at 1 July 2015 net of accumulated depreciation	**24,436**	**41,665**	**488**	**1,973**	**983**	**69,545**
Additions	-	22,805	-	11,223	21,970	55,998
Currency translation differences	980	26	-	(228)	(375)	403

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2016

	Consolidated					
	Plant & equipment $	Office equipment $	Software $	Office furniture & fittings $	Motor vehicles $	Total $
Depreciation charge for the year	(12,952)	(15,791)	(180)	(1,964)	(3,002)	(33,889)
Balance at 30 June 2016 net of accumulated depreciation	12,464	48,705	308	11,004	19,576	92,057
At 30 June 2016						
Cost	375,716	98,993	717	11,831	23,057	510,314
Accumulated depreciation and impairment	(363,252)	(50,288)	(409)	(827)	(3,481)	(418,257)
Net carrying amount	12,464	48,705	308	11,004	19,576	92,057
Year ended 30 June 2015						
Balance at 1 July 2014 net of accumulated depreciation	70,474	27,741	824	5,564	1,044	105,647
Additions	29,771	30,521	-	648	-	60,940
Disposals	-	(24)	-	(2,014)	-	(2,038)
Currency translation differences	10,929	979	-	-	216	12,124
Depreciation charge for the year	(86,738)	(17,552)	(336)	(2,225)	(277)	(107,128)
Balance at 30 June 2015 net of accumulated depreciation	24,436	41,665	488	1,973	983	69,545
At 30 June 2015						
Cost	365,213	75,843	717	10,214	1,511	453,498
Accumulated depreciation and impairment	(340,777)	(34,178)	(229)	(8,241)	(528)	(383,953)
Net carrying amount	24,436	41,665	488	1,973	983	69,545

10. TRADE AND OTHER PAYABLES

	Consolidated	
	2016 $	2015 $
Current		
Trade payables	50,351	-
Other payables and accruals	458,624	690,142
	508,975	690,141
Related party payables and accruals	35,442	31,830
	544,417	721,972

11. PROVISIONS

	Consolidated	
	2015 $	2014 $
Current		
Provision for annual leave (a)	150,854	98,474
Provision for onerous lease (b)	-	95,374
	150,854	193,848
Non-current		
Provision for long service leave (c)	19,675	9,391

	Consolidated	
	2015 $	2014 $
Provision for make–good (d)	-	47,480
	19,675	56,871

Movements in provisions

Movements in each class of provision during the financial year, other than provisions relating to employee benefits, are set out as follows:

	Onerous Lease $	Make-good Costs $
At 1 July 2015	95,374	47,480
Additions/(utilised/reversed)	(95,374)	(47,480)
At 30 June 2016	-	-

(a) Annual Leave

An estimate of annual leave is provided after reviewing relevant workplace agreements and industrial awards for respective employees and determining entitlement at the reporting date. The cost includes an account of direct employment costs.

(b) Onerous lease

The lease for the Company's former registered office in Melbourne. The lease has already expired therefore the full provision has been fully reversed.

(c) Long Service Leave

The significant assumptions applied in the measurement of this provision include devising probabilities for employees complying with the legislative requirements (years of service) and the computed employment costs discounted by using the relevant RBA bond rate applied for the respective years of service.

(d) Make - good

Make good provision for Company's former registered office in Melbourne. The full provision has been reversed.

12. CONTRIBUTED EQUITY

	Number of shares and options	2016 $
(a) Issued capital and options		
Ordinary shares fully paid	428,590,093	85,501,522
Options - listed	117,672,741	1,974,923
	546,262,834	87,476,445

In addition to the above, 16,875,000 unlisted options were not exercised as at 30 June 2016.
Please refer to Note 24(c) for further details.
Fully paid ordinary shares carry on vote per share and carry a right to dividends.
Option holders are not entitled to vote and dividend.

b) Movements in fully paid shares		
At 1 July 2015	314,212,116	70,162,879
Shares issued	18,571,429	7,000,000
Exercise of listed options	91,656,548	8,944,530
Exercise of unlisted rights and options	4,150,000	752,626
Transaction costs	-	(355,533)
Demerger distribution (Note 13)	-	(1,766,900)
Reclassification	-	763,920
At 30 June 2016	428,590,093	85,501,522

c) Movements in options		
At 1 July 2015	209,329,289	1,974,923
Options exercised	(91,656,548)	-

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2016

	Number of shares and options	2016 $
At 30 June 2016	117,672,741	1,974,923

During the year the Company raised funds from equity as follows:

- $7,000,000 (2015: $9,565,446) from share placement of 18,571,429 (2015: 44,052,294). Transaction costs amounted to $355,533.
- $9,697,156 (2015: $394,526) from the exercise of rights and options, subsequent issue of 95,806,548 (2015: 8,070,255) ordinary fully paid shares.

d) Capital management

Management's prime objective when managing the Group's capital is to ensure the entity continues as a going concern as well as ensuring that funds expended provide shareholders with optimal returns. The capital structure is intended to provide the lowest cost of capital available to the Group considering its present phase of operations.

Management is continually reviewing the Group's equity needs. During the financial year the entity raised $16,697,156 (2015: $9,959,971) through options and shares issue before costs of $355,533 (2015: $528,140).

The Group is undertaking an exploration and evaluation program that requires a significant outlay of funds. Management monitors this expenditure against the budget approved by the Board. A new term capital raising or asset sale should ensure the Group has a safety margin of funds available to continue with its desired level of operations - refer Note 1.

Capital risk management

During the previous year the Company used an equity instrument combination of shares and options to raise funds. The group is undertaking an exploration program that requires a significant outlay of funds. Management monitors this expenditure against the budget approved by the Board. A new term capital raising or asset sale should ensure the group has a safety margin of funds available to continue with its desired level of operations – refer Note 1.

In order to maintain or adjust the capital structure, the consolidated entity may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The consolidated entity would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current company's share price at the time of the investment. The consolidated entity is not actively pursuing additional investments in the short term as it continues to integrate and grow its existing businesses in order to maximise synergies.

The consolidated entity is subject to certain financing arrangements covenants and meeting these is given priority in all capital risk management decisions. There have been no events of default on the financing arrangements during the financial year.

The capital risk management policy remains unchanged from the 30 June 2015 Annual Report.

13. DEMERGER ACTIVITIES

a) Demerger of Uranium Africa Limited

On 15 April 2016, the Company's wholly owned Australian subsidiary, Uranium Africa Limited was demergered as per the result of Extraordinary General Meeting held on 5 April 2016. Uranium Africa Limited is operated as a separate and independent holding Company, which is unlisted.

The Board engaged Northeast Securities Co., Ltd (Valuer) to provide an independent valuation of the Uranium Assets, to assist the Company to determine the value of the capital reduction by reason of the Demerger and the Entitlements of Shareholders to share in the In-Specie Distribution.

Having regard to the value of comparable projects in Africa and Australia with similar grades and geology, the Valuer determined that the Uranium Assets were valued at $1.75 million.

Having due regard to this, the Board has determined that the value of the capital reduction to be $1,766,900 (being $1,746,900 for the Uranium Assets with an additional $20,000 cash contributed by the Company to UAL in the form of equity).

Uranium Africa Limited is the current holder of all the Uranium Tenements that previously held by Magnis Resources Group.

b) Financial information

Gain after income tax expense from demerger activities

	2016 $
Gain on demerger	1,746,900
Income tax expense	-

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2016

	2016 $
Gain on demerger after income tax	1,746,900
Cash and cash equivalents	20,000
Total Assets	20,000
Issued Capital	1,766,900

14. FAIR VALUE MEASUREMENT

The fair value of financial assets and financial liabilities are the equivalent of the net carrying amount as the financial assets and liabilities are short term instruments. Fair values are those amounts at which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

The carrying amounts of cash, trade and other receivables and trade and other payables are assumed to approximate their fair values due to their short-term nature.

There are no other financial assets or liabilities as at 30 June 2016.

15. RESERVES

	Consolidated	
	2016 $	2015 $
(a) Reserves		
Foreign currency translation	4,889,136	4,598,116
Share based payment	2,235,537	1,892,579
	7,134,673	6,490,695

b) Nature and purpose of reserves

i. Foreign currency translation reserve

Exchange differences arising on translation of the foreign controlled entity are taken to the foreign currency translation reserve, as described in note 1. The reserve is recognised in profit or loss when the net investment is disposed of.

ii. Share based payment reserve

The share based payment reserve is used to recognise the fair value of paid options issued to Directors, employees and contractors.

16. STATEMENT OF CASH FLOWS

	Consolidated	
	2016 $	2015 $
(a) Reconciliation of the net loss after income tax to the net cash flows from operating activities		
Operating activities		
Net loss	(12,026,781)	(13,244,576)
Non cash and non operating items		
Gain on demerger activities	(1,746,900)	-
Depreciation of non current assets	33,889	107,128
Share based payments	1,787,376	555,000
Net foreign currency translation gain (loss)	302,387	533,483
Changes in assets and liabilities		
(Increase)/decrease in trade and other receivables	(25,024)	1,129,805
(Increase)/decrease in prepayments	76,678	29,252
(Increase)/decrease in security bonds	(17,391)	36,385
Increase/(decrease) in trade and other payables	(177,555)	(301,102)

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2016

	Consolidated	
	2016 $	2015 $
Increase/(decrease) in provisions	(80,190)	(76,996)
Net cash outflow from operating activities	**(11,873,511)**	**(11,231,621)**

b) Reconciliation of cash and cash equivalents

Cash at bank		
Cash at bank and in hand	7,208,404	2,817,006
	7,208,404	**2,817,006**

17. COMMITMENTS

a) Exploration commitments

The Group has certain commitments to meet minimum expenditure requirements on the mineral exploration assets in which it has an interest. Note 1 outlines the Group's future funding options to meet its commitments. Outstanding exploration commitments are as follows:

	Consolidated	
	2016 $	2015 $
Not later than one year	767,351	2,012,874
	767,351	**2,012,874**

Exploration expenditure commitments beyond twelve months could not be reliable determined because the annual commitment was set at the anniversary date for each tenement.

b) Remuneration

Amounts disclosed as remuneration commitments include commitments arising from the service contracts of key management personnel referred to in note 22 and other senior employees that are not recognised as liabilities and are not included in the key management personnel compensation.

	Consolidated	
	2016 $	2015 $
Not later than one year	478,638	446,655
Later than one year and no later than five years	-	-
	478,638	**446,655**

a) Leasing

Operating lease commitments – the Group as lessee

The Group has commercial leases on commercial property. These lease now has expired and being extended on month to month basis.

Future minimum rentals payable under non-cancellable operating leases as at 30 June 2016 are as follows:

	Consolidated	
	2016 $	2015 $
Within one year	-	95,374
After one year but not more than five years	-	-
Total minimum lease payment	**-**	**95,374**

18. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There are no contingent liabilities or assets at 30 June 2016. The Group has guarantees for property leases and banking finance facilities of $50,000 (2015: $50,000).

19. SUBSEQUENT EVENTS

No other matter or circumstance has arisen since 30 June 2016, which has significantly affected, or may significantly affect the operations of the Group, the result of those operations or the state of the affairs of the Group in subsequent years.

20. AUDITORS' REMUNERATION

	Consolidated	
	2016 $	2015 $
The auditor of Magnis Resources Limited in the current year is BDO East Coast Partnership (2015 : Ernst & Young).		
a) Amounts received or due and receivable by Magnis Group Auditor's (Australia) for:		
An audit or review of the financial report of the entity and any other entity in the consolidated Group	60,000	81,130
Other services in relation of the entity and any other entity in the consolidated Group – Taxation services	155,085	-
	215,085	81,130
b) Amounts received or due and receivable by related practices of Magnis Group Auditor's (Australia) for:		
An audit or review of the financial report of the entity and any other entities in the consolidated Group	13,730	4,182
Other services in relation of other entities in the consolidated Group		
- Taxation compliance services	2,746	35,249
	16,476	39,431

21. LOSS PER SHARE

a) Reconciliation of earnings to profit or loss

	Consolidated	
	2016 $	2015 $
Net loss		
Loss used in calculating basic loss per share	12,026,781	13,244,576

b) Weighted average number of ordinary shares outstanding during the year used in calculating basic loss per share

	Number of shares 2016	Number of shares 2015
Weighted average number of ordinary shares used in calculating basic loss per share	351,583,998	314,212,116

c) Effect of dilutive securities

For the year ended 30 June 2016 and for the comparative period there are no dilutive ordinary shares because conversion of share options and performance rights would decrease the loss per share and hence be non-dilutive.

22. KEY MANAGEMENT PERSONNEL

Compensation

The aggregate compensation made to directors and other members of key management personnel of the consolidated entity is set out below:

	Consolidated	
	2016 $	2015 $
Short-term employee benefits	822,716	750,841
Termination benefits	-	-
Post-employment benefits	69,562	68,508
Share-based payments	50,228	220,120
	942,506	1,039,469

a) Other transactions and balances with key management personnel and their related parties

Transactions with Directors' related entities

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2016

Identity of Related Party	Nature of Relationship	Type of Transaction	Terms & Conditions of Transaction	Aggregate Amount 2016 $	2015 $
Strong Solutions Pty Limited	Frank Poullas is a related party of Strong Solutions Pty Limited and a director of Magnis Resources Limited	Consulting fees and PP&E purchases	Normal commercial terms	327,817	159,765
Minerals and Metal Marketing	Stephen Hunt is a related party of Minerals and Metal Marketing and a Director of Magnis Resources Limited	Consulting	Normal commercial terms	32,946	63,000
Fivemark Capital	Len Eldridge is a related party of Fivemark Capital and a Director of Magnis Resources Limited	Consulting and Share based payment	Normal commercial terms	184,634	-
Peter Tsegas	Peter Tsegas is a Director of Magnis Resources Ltd	Consulting	Normal commercial terms	56,494	-

b) Outstanding balances arises from purchases of goods and services at the reporting date in relation to other transactions with key management personnel.

	2016 $	2015 $
Assets and liabilities		
Current liabilities		
Trade and other payables	35,442	31,830
Total liabilities	35,442	31,830

23. RELATED PARTY DISCLOSURES

Parent entity

Magnis Resources Limited is the ultimate Australian parent entity of the consolidated entity. Its interests in controlled entities are set out in note 25.

Wholly owned group transactions

Controlled entities made payments and received funds on behalf of Magnis Resources Limited and other controlled entities by way of inter-company loan accounts with each controlled entity. These loans are unsecured, bear no interest and are repayable on demand. However, demand for repayment is not expected in the next twelve months.

Transactions and balances between the Company and its controlled entities were eliminated in the preparation and consolidation of the financial statements of the group.

Key management personnel

Details relating to key management personnel, including remuneration paid, are included in note 22 and the Remuneration Report in the Directors Report.

Transactions with related parties

All amounts payable to related parties are unsecured and at no interest cost.

The amount outstanding will be settled in cash. No guarantees have been given or received. No expense has been recognised in the period for bad or doubtful debts in respect of the amounts owed by related parties.

The following table provides the total amount of transactions that were entered into with related parties for the relevant financial year (for information regarding outstanding balances on related party trade payables at year-end, refer to note 10).

Entity with significant influence over the Group

MAZZDEL PTY LIMITED controls 11.31% of the ordinary shares in Magnis Resources Limited (2015: 7.9%) and 0.04% of the listed options in Magnis Resources Limited (2015: 16.15%).

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2016

24. PARENT ENTITY INFORMATION

Set out below is the supplementary information about the parent entity.

	Parent	
	2016 $	2015 $
Statement of profit or loss and other comprehensive income		
Profit after income tax	(12,346,299)	(11,758,338)
Total comprehensive income	(12,346,299)	(11,758,338)
Statement of financial position		
Total current assets	6,963,684	2,771,419
Total assets	7,062,968	2,859,458
Total current liabilities	297,470	170,808
Total liabilities	457,164	269,452
Equity		
Issued capital	87,476,445	72,137,802
Equity settled employee benefits reserve	2,235,534	1,893,633
Retained profits	(83,106,175)	(71,441,429)
Total equity	6,605,804	2,590,006

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2016 and 30 June 2015.

Capital commitments - Property, plant and equipment

The parent entity had no capital com mitments for property, plant and equipment at as 30 June 2016 and 30 June 2015.

Remuneration commitments

The parent entity has a remuneration commitment of $478,638 as at 30 June 2016 (2015: $446,655).

25. INTERESTS IN CONTROLLED ENTITIES

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1:

Name	Country of incorporation	Class of shares	Equity Holding* 2016 $	Equity Holding* 2015 $
Uranex Tanzania Limited	Tanzania	Ordinary	100	100
Uranex Mozambique Limitada	Mozambique	Ordinary	100	100
Uranex ESIP Pty Ltd	Australia	Ordinary	100	100
Faru Resources Limited	Tanzania	Ordinary	100	100
Juhudi Minerals Limited	Tanzania	Ordinary	100	100
Investor Resources Services Pty Ltd	Australia	Ordinary	100	100
Uranium Africa Limited1	Australia	Ordinary	-	-
African Uranium Limited2	Australia	Ordinary	-	-
Uranex Option Share Trust #	Australia	Ordinary	-	-

1 Uranium Africa Ltd was incorporated on 15 February 2016 then left the group as per result of EGM held on 5 April 16
2 African Uranium Ltd was incorporated on 9 February 2016 then left the group as per result of EGM held on 5 April 16
* percentage of voting power is in proportion to ownership.
# special purpose entity consolidated under AASB 10.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2016

26. SHARE-BASED PAYMENT PLANS

a) Recognised share-based payment expenses

The expense recognised for employees and contractors received during the year is shown below:

	Consolidated	
	2016 $	2015 $
Expense arising from the issue of options (employees)	64,912	284,605
Expense arising from the issue of options (non-employees)	1,737,150	166,000
Expense arising from the options to be issued	-	117,000
Expense arising from the issue of rights	(14,686)	(12,605)
Expense arising from the issue of shares	-	-
Total expense arising from share-based payment transactions	1,787,376	555,000

The share-based payment plans are described below.

b) Types of share-based payment plans for employee

Employee share option plan (ESOP)

Share options are granted to Directors, other Key Management Personnel (KMP) and other employees. The ESOP is designed to align participants' interests with those of shareholders by increasing the value of the Company's shares. Under the ESOP, the exercise price of the options is set by the Board on the date of grant.

The life of options to KMP and other employees granted are for 3 years but these must be exercised within 3 months of the option holder ceasing employment with Magnis Resources Limited. There are no cash settlement alternatives.

c) Summaries of options and rights granted under share-based payment

The following table illustrates the number (No.) and weighted average exercise prices (WAEP) of, and movements in, share options issued during the year.

	2016 No.	2016 WAEP	2015 No.	2015 WAEP
Outstanding at the beginning of the year	11,575,000	0.23	20,050,000	0.20
Granted during the year	11,250,000	0.41	6,900,000	0.33
Exercised during the year	(4,150,000)	0.18	(6,000,000)	0.03
Expired during the year	(1,800,000)	0.05	(9,375,000)	0.36
Outstanding at the end of the year	16,875,000	0.38	11,575,000	0.23
Exercisable at the end of the year	16,875,000	0.38	11,575,000	0.23

The range of exercise prices for rights and options outstanding at the end of the year was between $0.1753 and $0.60 (2015: $0.00 and $0.35).

d) Weighted average remaining estimated life

The weighted average remaining estimated life for the share options outstanding as at 30 June 2016 is 1.63 years (2015: 1.69 years).

e) Weighted average fair value

The weighted average fair value of options granted during the year was $0.17 (2015: $0.065).

f) Option pricing model

Equity-settled transactions

The fair value of the equity-settled share options granted under the share based payment is estimated as at the date of grant using a Binomial Model taking into account the terms and conditions upon which the options were granted.

The following table lists the inputs to the models used for the year ended 30 June 2016.

	2016
Dividend yield (%)	Nil
Expected volatility (%)	51-59
Risk-free interest rate (%)	1.53 - 2.52
Expected life of option (years)	1.56-3
Option exercise price (cents)	40-60

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2016

	2016
Weighted average share price at measurement dates (cents)	39.50-93
Exercise price multiple	2
Model used	Binomial

The effects of early exercise have been incorporated into calculations by using an expected life for the option that is shorter than the estimated life based on historical exercise behaviour, which is not necessarily indicative of exercise patterns that may occur in the future. The expected volatility was determined using a historical sample of Company share-prices. The resulting expected volatility therefore reflects the assumption that the historical volatility is indicative of future trends which may also not necessarily be the actual outcome. The option holders were assumed to exercise prior to expiry date when the price is twice that of the exercise price. This reflects the restrictions to trading of directors and employees outlined in the Company's share trading policy.

During the financial year the Uranex Option Share Trust (UOST) acquired and was issued with 750,000 options on varying terms and conditions for allotment to Director (refer to Remuneration Report for details).

27. FINANCIAL INSTRUMENTS

a) Financial risk management objectives and policies

The Group's principal financial instruments consist of short term deposits, receivables and payables. These activities expose the Group to a variety of financial risks: market risk, i.e. (interest rate risk and foreign exchange risks), credit risk and liquidity risk.

The overall objective of the Group's financial risk management policies is to meet its financial targets whilst protecting future financial security.

The Board fulfils its corporate governance and oversight responsibilities by monitoring and reviewing the integrity of financial statements, the effectiveness of internal financial control and the policies on risk oversight and management. Management is charged with implementing the policies. The management manages the different types of risks to which the Group is exposed by considering risk and monitoring levels of exposure to interest risk and by being aware of market forecasts for interest rates. Liquidity risk is monitored through general business budgets and forecasts. The Board reviews and agrees on policies for managing these risks.

b) Market Risk

Interest rate risk

The Group is exposed to movements in market interest rates on short-term deposits. Management ensures a balance is maintained between the liquidity of cash assets and the interest rate return. Presently, the Group has no interest bearing liabilities.

At reporting date, the Group had the following financial assets and liabilities exposed mostly to Australian variable interest rates and are unhedged.

	Consolidated	
	2016 $	2015 $
Cash and cash equivalents	7,208,404	2,817,006

The weighted average interest rate for the Group at reporting date was 2.49% (2015: 3.38%).

In accordance with the Group policy of reviewing this risk, the following sensitivity analysis based on interest rate exposures at reporting date where the interest rate movement varies and other variables remain constant, post tax loss and equity would have been affected as shown. The analysis has been performed on the same basis for both 2016 and 2015

		Interest Rate Risk -1%		Interest Rate Risk +1%	
	Carrying Amount	Net Loss $	Equity $	Net Loss $	Equity $
30 June 2016					
Consolidated Entity					
Financial asset					
Cash and cash equivalents	7,208,404	(72,084)	(72,084)	72,084	72,084
30 June 2015					
Consolidated Entity					
Financial asset					
Cash and cash equivalents	2,817,006	(28,170)	(28,170)	28,170	28,170

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2016

The sensitivity is higher in 2016 than 2015 because of a combination of higher cash balances. The analysis assumes the carrying amounts noted will be maintained over the next financial year.

Foreign currency risk

The Group is exposed to fluctuations in foreign currencies arising from transactions including exploration commitments in currencies other than Australian dollars, the Group's presentation currency.

The Group operates internationally and is exposed to foreign exchange risk arising from currency exposures to the United States dollar and to the Tanzanian shilling.

The net exposure to financial assets and liabilities denominated in currencies other than the functional currency of each entity in the Group were immaterial at reporting date.

c) Credit risk

The Group has no significant concentrations of credit risk. The maximum exposure to credit risk at reporting date is the carrying amount (net of provision of doubtful debts) of those assets as disclosed in the statement of financial position and notes to the financial statements.

As the Group does not presently have any lending or any other credit risk and low level of debtors, a formal credit risk management policy is not maintained nor a sensitivity analysis prepared.

d) Liquidity risk

Liquidity risk arises from the financial liabilities of the Group and the Group's subsequent ability to meet their obligations to repay their financial liabilities as and when they fall due.

The Group's objective is to maintain a balance between continuity of funding and flexibility as to its source.

The Directors monitor cash flow monthly and increase the frequency of review when the safety margin is or is nearly breached. The Board formulates plans to replenish its cash resources when required and implements cost reduction programmes to reduce cash expenditure.

The table below reflects all contractually fixed pay-offs, repayments and interest from recognised financial liabilities. For these obligations the undiscounted cash flows for the respective upcoming financial years are presented. Cash flows for financial assets and liabilities without fixed timing or amount are based on the conditions existing at 30 June 2015.

The remaining contractual maturities of the Group entity's financial liabilities consisting of trade and other payables are:

	Consolidated	
	2016 $	2015 $
On demand	-	-
Less than 1 year	544,417	721,971
1-5 years	-	-
> 5 years	-	-
	544,417	721,971

e) Net Fair Values

The carrying amounts of financial assets and liabilities as shown in the statement of financial position approximate their fair value.

DIRECTORS' DECLARATION

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

1. In the opinion of the Directors:

   a) the financial statements and notes of the consolidated entity are in accordance with the Corporations Act 2001, including:

   (i) Giving a true and fair view of its financial position as at 30 June 2016 and performance for the financial year ended on that date.

   (ii) Complying with Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

   b) The financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 1.

   c) There are reasonable grounds to believe that the Company, as noted by Directors in Note 1 – Going concern will be able to pay its debts as and when they become due and payable.

2. This declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the Corporations Act 2001 for the financial year ended 30 June 2016.

On behalf of the board

F. Poullas

F Poullas

Non - Executive Chairman

Sydney, 16 September 2016

INDEPENDENT AUDITOR'S REPORT

BDO

Tel: +61 2 9251 4100
Fax: +61 2 9240 9821
www.bdo.com.au

Level 11, 1 Margaret St
Sydney NSW 2000

Australia

INDEPENDENT AUDITOR'S REPORT

To the members of Magnis Resources Limited

Report on the Financial Report

We have audited the accompanying financial report of Magnis Resources Limited, which comprises the statement of financial position as at 30 June 2016, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and 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 the financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

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

INDEPENDENT AUDITOR'S REPORT

Opinion

In our opinion:

(a) the financial report of Magnis Resources Limited is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Emphasis of matter

Without modifying our opinion, we draw attention to Note 1 in the financial report, which indicates that the ability of the consolidated entity to continue as a going concern is dependent upon the future successful raising of necessary funding through equity, potential farm-out arrangements and successful exploration and subsequent exploitation of the consolidated entity's tenements. These conditions, along with other matters as set out in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2016. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Magnis Resources Limited for the year ended 30 June 2016 complies with section 300A of the *Corporations Act 2001*.

BDO East Coast Partnership

BDO

Gareth Few

Gareth Few
Partner

Sydney, 16 September 2016

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ADDITIONAL SHAREHOLDER INFORMATION

Additional information required by the Australian Securities Exchange Ltd and not shown elsewhere in this report is as follows. The information is current as at 30 June 2016.

a) Distribution of equity securities

The numbers of shareholders, by size of holding, in each class of share are:

	Ordinary shares		Listed options	
	Number of holders	Number of shares	Number of option holders	Number of options
1 – 1,000	411	209,965	25	14,628
1,001 – 5,000	1,131	3,461,984	79	240,046
5,001 – 10,000	718	5,908,434	74	595,152
10,001 – 100,000	1,559	55,297,618	202	8,422,495
100,001 and over	484	363,712,092	153	108,400,420
	4,303	428,590,093	533	117,672,741
The number of shareholders holding less than a marketable parcel of shares are:	520	520,948	77	125,649

b) Twenty largest shareholders

The names of the twenty largest holders of quoted shares are:

Name	Number of Shares	% of Ordinary Shares
MAZZDEL PTY LIMITED	48,489,553	11.31
CITICORP NOMINEES PTY LIMITED	19,310,872	4.51
PERSHING AUSTRALIA NOMINEES PTY LTD	18,145,522	4.23
ABN AMRO CLEARING SYDNEY NOMINEES PTY LTD	15,908,988	3.71
MR FRANK POULLAS	9,470,926	2.21
NATIONAL NOMINEES LIMITED	6,172,085	1.44
GIBBS PLUMBING SERVICES PTY LTD	5,200,000	1.21
FINMIN SOLUTIONS PTY LTD	5,172,857	1.21
MR JURGEN BEHRENS	5,100,000	1.19
MISS HAZEL DARCY	4,777,462	1.11
MS RUIE YAO	4,738,163	1.11
MR PHILLIP TOWZELL	4,000,000	0.93
BOEMI INVESTMENTS PTY LTD	3,887,142	0.91
MR PETER SARANTZOUKLIS	3,852,183	0.90
S P ANDREWS & CO PTY LTD	3,738,758	0.87
J P MORGAN NOMINEES AUSTRALIA LIMITED	3,719,769	0.87
4F INVESTMENTS PTY LTD	3,613,000	0.84
MS SUQIN YAN	3,330,000	0.78
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	3,137,516	0.73
JINBIAO WEI	3,000,000	0.70
	174,764,796	40.77

ADDITIONAL SHAREHOLDER INFORMATION

The names of the twenty largest holders of quoted options are:

Name	Number of Options	% of Options
MR MATTHEW JOHN BOYSEN	8,158,000	6.93
MR FRANK POULLAS	4,640,500	3.94
QUAY AVENUE INVESTMENTS PTY LTD	3,500,000	2.97
MR EMMANUEL POULLAS	3,350,000	2.85
MR JOHN PETER SAUNIG	3,000,000	2.55
MR JURGEN BEHRENS	3,000,000	2.55
MR JOSHUA TUTAWAKE JOHNS	3,000,000	2.55
MR JOHN PICCININ	2,530,900	2.15
MR TRAVIS PELUSO	2,500,000	2.12
MR DAVID BYEONG YEON CHO	2,334,794	1.98
MR MARLON PATHER	2,300,000	1.95
MR YOUNGKIL AN	2,244,210	1.91
MR ANTHONY JOHN O'TOOLE	2,185,557	1.86
MR JASON COLIN NIXON & MRS LISA NIXON	2,150,000	1.83
MR PETER SARANTZOUKLIS	2,140,000	1.82
MR MINA NAROUZ	2,039,453	1.73
SPECTRUM IT PTY LTD	1,800,000	1.53
CITICORP NOMINEES PTY LIMITED	1,407,669	1.20
MRS WAI YIN BARTLEY	1,400,000	1.19
MR TRAVIS PELUSO & MRS MICHELLE ANNE PELUSO	1,380,200	1.17
	55,061,283	**46.78**

c) Substantial shareholders

The names of substantial shareholders who have notified the Company in accordance with section 671B of the Corporations Act 2001 are:

	Fully Paid Number of Shares	Percentage %
MAZZDEL PTY LIMITED	48,489,553	11.31

Voting rights

All ordinary shares carry one vote per share without restriction.

d) Stock Exchange Listing

Magnis Resources Limited is listed on the Australian Stock Exchange.

The Company's ASX code for ordinary shares is MNS and for options it is MNSO.

GRAPHITE INTO THE FUTURE

Magnis Resources
LIMITED

Suite 4.03, Level 4 Goldfields House
1 Alfred Street Sydney NSW 2000 Australia
T +61 2 8397 9888 **F** +61 2 8397 9801
E info@magnis.com.au **www.magnis.com.au**