Magnis Resources Limited

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ENERGY

2017 Annual Report

enabling future energy

CORPORATE DIRECTORY

ABN 26 115 111 763

DIRECTORS

F Poullas
[Chairman]

J C Jooste-Jacobs
[Non-Executive Director]

P Tsegas
[Non-Executive Director]

P Sarantzouklis
[Non-Executive Director]

M Vogts
[Non-Executive Director]

M S Whittingham
[Non-Executive Director]

U Bez
[Non-Executive Director]

CHIEF EXECUTIVE OFFICER
F Houllis

COMPANY SECRETARY
D N Richardson

FINANCIAL CONTROLLER
P C Tju

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STOCK EXCHANGE LISTING/ASX
Magnis Resources Limited shares [code MNS] are listed on the Australian Securities Exchange.

THE COMPANY

Magnis is an Australian based company in the Lithium-ion battery sector. The Company has involvement and part ownership of 64GWh of future Lithium-ion battery production in three countries. Magnis is also involved with the development and ultimately mining natural flake graphite for use in various industries, including in particular, batteries for storing electrical energy.

The three Lithium-ion battery gigafactories are based in New York USA (15GWh), Townsville Australia (15GWh) and a recently announced German gigafactory (34GWh). First production is expected in 2019 for New York and Germany with production in Townsville slated for late 2020.

Magnis' key graphite mining 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.

A Bankable Feasibility Study was conducted for Nachu, details of which were released to the ASX in March last year, with an initial 15 year Run of Mine (ROM) at 240,000tpa graphite concentrate.

Extensive testing for use in batteries, has occurred on the Nachu graphite with outstanding results being achieved to date, with potential end users interested in further examining the qualities and performance of the Nachu graphite to be used in the anode for lithium-ion batteries.

The Company is well supported by a highly experienced and credible Board of Directors and management team with unrivalled capabilities and expertise in the Lithium-ion battery sector. The Board also have specific skills in project development, from the exploration phase through to mining and production.

Magnis is looking to unlock value through growth strategies and to take Nachu into production and progressively develop lithium-ion battery plants.

Annual General Meeting

The 2017 Annual General Meeting of the members of Magnis Resources Limited will be held at the offices of BDO (Magnis' Auditors), Level 11, 1 Margaret Street, Sydney NSW 2000 on Friday 17 November 2017 at 9:30am. A formal notice of meeting and proxy form will be mailed separately to all shareholders.

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CHAIRMAN'S STATEMENT

Dear Shareholders,

In my time on the board of Magnis I must say that currently we are entering the most exciting phase in the Company's history. While we have had our fair share of challenges in the last 12 months, I'm extremely proud of our Board and Management Team and how the business has evolved under its leadership.

I'm sure you will all agree that we are early days into the Lithium-ion battery revolution. Currently investors in Australia who believe in the sector can participate in the future growth by investing into raw material suppliers. This is what sets Magnis apart, not only are we involved in the raw material supply but we also have Intellectual Property, Technology and involvement including part ownership of over 60GWh of future Lithium-ion battery production.

With demand set to explode in the coming years our aim is to be a major player in the Lithium-ion battery industry, and combined with being involved in over 120GWh of production in the coming years, this demonstrates a significant future participation in the industry. With the strength of our Board, Management Team including our partners, we are confident of achieving these goals. We believe time to market is critical and hence the efforts that are going into these projects today.

I would like to thank our staff, partners and investors for the ongoing support that we receive and we look forward to a successful future ahead.

Chairman,

Frank Poullas

REVIEW OF OPERATIONS

The Nachu Graphite Project located near Ruangwa, in the south-east of Tanzania and approximately 220km to the Tanzanian port of Mtwara, continues to develop with key achievements and progress made in the past financial year.

This review of operations will focus on some of these developments at Nachu, as well as highlighting the increased focus on the strategy of looking to gain exposure in the lithium-ion battery market. Demand for lithium-ion batteries is increasing significantly in the electric vehicle (EV) and power storage market for households and businesses.

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

Battery Focus

A key part of lithium-ion battery production and components is graphite, along with cobalt and lithium. Graphite is used in the anode of the battery and it is where oxidation takes place in the battery where electrons are freed and flow out of the battery.

Magnis has rigorously tested the graphite qualities from Nachu to be used in lithium-ion batteries and the outstanding performances and results achieved during this time has directed attention to focus on a strategy of investigating in and benefits of Magnis becoming involved in battery production and development. There has been an escalation in resources devoted to its lithium-ion commercial anode development programs. These resources include additional downstream technical expertise and industry leading battery test facilities to allow for full cells and battery fabrication development utilising Nachu anode material.

Some notable events below have reinforced this focus over the past twelve months:

Exclusivity Agreement With C4V

Magnis and C4V have entered into a formal collaboration to continue the development of natural graphite anode material. The agreement covers both the development of spherical graphite anode material and the progression of silicon/graphite anode material to deliver a significant step change in battery mileage.

C4V is located in New York, USA and specialises in developing advanced materials for the LIB (lithium-ion battery) market. C4V is specifically situated in a facility at Binghamton University, that jointly houses, one of our Directors, Distinguished Professor M. Stanley Whittingham, the inventor of lithium-ion batteries as well as an extensive analytical facility staffed by leading experts.

Because of private and government support, facilities in the field of battery technologies at the world leading Binghamton University and C4V labs have been recently upgraded to allow more precise fabrication and testing of lithium-ion batteries. This includes the capability to build full 18650 and multi-layer pouch cells. This will assist in the speed of product research development capabilities to fully capture the value of Nachu high performance anode material.

Director Appointments with Related Industry Experience

In the previous section, it was highlighted that Distinguished Professor M. Stanley Whittingham operates from a facility at Binghamton University in New York. Magnis was very pleased to report that the Distinguished Professor joined the Board in early November 2016 and will add his four decades of experience in the lithium-ion battery industry that earned him a nomination for the Nobel Science Prize.

During his illustrious career, Professor Whittingham has headed large projects for the US Department of Energy, Exxon and Schlumberger. He has 16 patents and has been involved in writing over 300 pieces of scientific and engineering literature. Currently, Professor Whittingham is a Distinguished Professor of Chemistry and a Director of both the Materials Research and Materials Science and Engineering program at Binghamton University which is part of the State University of New York.

Globally recognised automotive sector expert Dr Ulrich Helmut Bez joined the Magnis Board in February 2017. Dr Bez has over 40 years of experience and has held executive roles in some of the world's most recognised luxury car brands, as well as premium and mass car manufacturers. During his career, Dr Bez was the Chairman and Chief Executive officer for Aston Martin from 2000-2014 and has also held director roles with the likes of Daewoo and has been an advisor to some of the world's largest automotive organisations.

Mr Marc Vogts and Mr Peter Sarantzouklis were appointed to the Board in November 2016 and have significant project management skills respectively in either mining or finance. The appointments followed the resignation of Mr Colin Johnstone and Mr Len Eldridge in October 2016.

In addition to this, Dr Shailesh Upreti is a director of C4V and a key battery consultant to Magnis.

The highly experienced and credible Board of Directors with unrivalled capabilities and expertise in the lithium-ion battery sector combines well with building a management team and key industry partners with expertise for success.

Global Consortium Participation – USA and Australia

Magnis is a member of a three-party global consortium known as "Imperium3" that also includes C4V and is led by Boston Energy and Innovation (BEI). The consortium has signed an exclusive Memorandum of Understanding with Townsville City Council in Australia to investigate building a 15GWh Lithium-ion Battery Manufacturing Plant near Townsville.

The consortium is chaired by well-respected and highly regarded Australian businessman and philanthropist Mr Bill Moss AO and the Townsville project also includes involvement with Eastman Kodak Company and C&D Assembly. Magnis will have both part ownership in the plant as well as providing anode materials and technologies.

A parcel of land approximately 400 hectares in size located in Woodstock, 40kms from the port of Townsville has been offered and accepted as site selection for the manufacturing plant and is on flat terrain and high lying with major infrastructure including rail, road, power and fibre-optic cable. Townsville City Council approved offering the land in Woodstock, in exchange for equity in the project and site selection is a key milestone that demonstrates the commitment by all parties to fast track the gigafactory.

Queensland Premier Annastacia Palaszczuk has publicly expressed support for the project following the submission of an initial scoping study that demonstrates the project's positive economic impact. The project now moves into a feasibility study to initiate the design and engineering phase.

All parties involved are committed to transforming Australia's energy security by pledging the new batteries will be cost competitive, better performing, a sustainable supply chain, environmentally friendly and alternative to current major energy suppliers.

In May 2017, the Imperium3 consortium with the addition New York based C&D Assembly and Primet Precision Materials, announced the signing of a Joint Manufacturing Establishment Agreement for a 15GWh Lithium-ion battery facility New York State.

Magnis will be responsible for supplying the anode materials and technologies, while the cathode materials and technologies, manufacturing processes to produce electrodes and the battery cells comprised of those electrodes will be handled by C4V and Primet. C&D Assembly with its electronics manufacturing facility located in New York will provide battery management systems and power harnessing. BEI will assist with project structuring, capital rising and global expansion.

An internal scoping study took over 18 months to complete and connected input from the current operational supply chain and was instrumental in bringing all consortium members together and confirming the financial viability for this project.

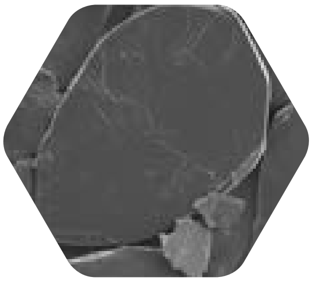
Huron Campus will be the primary manufacturing location in New York and it is the birthplace of IBM and is a world class high tech facility which was previously used for the manufacture of equipment including semi-conductor packaging and advanced electronics. The facility is ideal for the manufacture of both battery materials and cells as it has temperature and humidity controlled buildings and warehouse facilities ready to integrate new technologies. The site has a transmission level substation with 50MW of capacity and the campus supplies low-cost power.

All parties will work towards the scale up capacity towards 15GWh.

In recent months, sample batteries have been produced by the consortium members for potential customers. Discussions with these customers are advancing with the aim for future offtake agreements.

Magnis has recently become part of a separate German consortium and signed a Memorandum of Understanding with TerraE for the building a battery manufacturing plant in Germany. Further details of this can be seen in the Subsequent Events section of this Annual Report.

NACHU GRAPHITE PROJECT



The Nachu Graphite Project is shovel ready with a Special Mining Licence (SML) SML 550/2015 on the project granted by the Ministry of Energy and Minerals (MEM) of Tanzania in September 2015. The granting of the SML was a key approval for the Project and allows the Company to focus on funding arrangements for further development. The SML was granted to Uranex Tanzania Ltd (UTZ), the 100% owned Tanzanian subsidiary of Magnis.

The SML was originally supplemented with a Mineral Development Agreement (MDA) that was agreed to by the Tanzanian Government in October 2015. As covered in the Significant Events section of this Annual Report, changes have been made to the government legislation in the mining industry in Tanzania and thus the previously agreed MDA is no longer valid.

The global Mineral Resource Estimate at Nachu was announced on 1 February 2016 and comprises 174 Million Tonnes (Mt) at an estimated grade of 5.4% Graphitic Carbon (Cg)[1] 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 Nachu Graphite Project Mineral Resource Estimate was carried out by independent mining consultancy AMC Consultants Pty Ltd (AMC).

A Bankable Feasibility Study (BFS) for the Nachu Graphite Project was released to the ASX on 31 March 2016 and there have been no further alterations to this BFS at present.

The Ore Reserve was estimated by Orelogy and as announced on 31 March 2016. The total Proved and Probable Ore Reserve comprises 76 Mt at 4.8% Cg for 3.6 million tonnes of contained graphite[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.

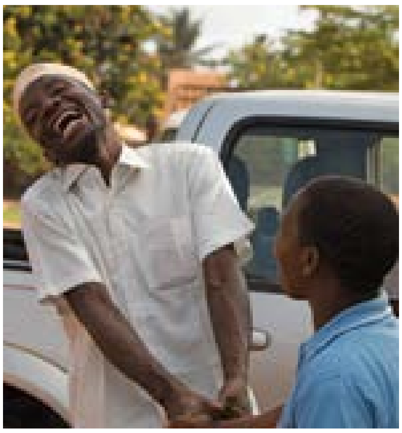
Notes: 1 *ASX Announcement 1 February 2016, Nachu Graphite Project Updated Mineral Resource*
2 *ASX Announcement 31 March 2016, Nachu Bankable Feasibility Study Finalised*

Corporate Social Responsibility (CSR)

In the area of 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, library 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.

Magnis has been instrumental in setting up and supporting the development of the Ruangwa jogging club and sponsorship of the inaugural Nachu Football league for the Matambarale and Chunyu Wards. Uniforms and appropriate clothing and activity wear has been supplied to compliment this support. This creates local participation within the community and a positive environment.

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 such as a significant number of school books.



Land Valuation, Compensation & Re-Settlement

As part of the community resettlement process for the project development, a valuation of assets for all Project Affected Peoples (PAP) was conducted. The valuation process was managed by PaulSam Geo-Engineering and Ardhi University, a key institution in Tanzania that deals with land and settlement research and education in accordance with Tanzanian legislation. The official valuation of the area within the SML was completed and a total of US$3.4 million was calculated for the complete compensation package of crops and trees, land area, structures and other required items such as disturbance allowance. The valuation documents were accepted and approved for payment by the Chief Government Valuer.

The area of the SML is approximately 30km^2 and the valuation covered a total of 776 people or households who are affected by the project. Most of the people affected are being compensated for farm plots and there are 59 households on the SML that will be offered relocation to a new village area.

The valuation exercise consisted of approximately 200 people including survey teams, valuation teams, Magnis representatives, UTZ staff and Paulsam staff and monitors.

Land has been purchased for the re-settlement of homeowners and has been initially cleared paving way for construction activities once the Ruangwa District Council issues the required permits. Of the 776 parties affected, only three people remain who are not local residents and were unavailable to complete the valuation of claimed properties during the previous valuation exercise. All remaining properties have now been covered under a supplementary valuation.

The compensation process included an extensive financial literacy program instigated by Magnis which covers the valuation process and compensation being provided, full details and education about the banking system and its advantages, basic financial literacy, the need to use money wisely and common money scams of which recipient of funds should be aware.

During the valuation, around 140 graves were identified and will need to be relocated outside of the project area. This is a common procedure in Tanzania and the necessary meetings with all the people associated with the graves have been held.

The correct representatives have been identified and have accepted the need to relocate. The relocation will be conducted by the Ruangawa District Administration under the required health and community procedures.

Extensive community involvement has been conducted throughout the process with community working group meetings beginning in late 2014. IFC principles and guidelines have been used throughout the whole process with affected residents being resettled into new accommodation to an equivalent or better standard. The new resettlement village proposed by the Company will exceed these guidelines.

The final construction tender for the resettlement village is being finalised. There are four types of houses being proposed ranging from one bedroom to four bedroom houses varying in size and including small solar systems for lighting and fans, and guttering and a water tank for rainwater harvesting.

Construction materials, building components and labour will be sourced locally as much as possible. Locally extracted sand and crushed aggregate, along with production of doors by local woodworkers will be used in construction.

Pre-Development and Infrastructure

Given the amendments to the Tanzanian Mining and Resources Legislation that have recently been released, the progress on initiatives such as pre-development are continuing although at a measured rate. Detailed engineering has commenced on the design of one of the water storage dams that will act as a source of water to be used in conjunction with the current water bores during the project construction phase.

Discussions with the Tanzanian Power Development Corporation (TPDC) on gas supply pricing are ongoing and constructive. Recently, the rates for gas sales applying to companies that are classified as "Strategic Investors" have been released. The Company qualifies for this status under the Tanzanian Investment Centre requirement and is awaiting the official response from the TPDC.

Magnis intends to construct a 90km pipeline to the site so that gas can be used for power and process requirements, as well as potentially in the transport fleet for moving the products to the port and for any mining equipment that may be required. This will provide cost savings to the Company as well as significant benefits to the Government of Tanzania.

Road upgrades have been taking place for the stretch of road between Nanganga and Ruangwa measuring approximately 60kms. The funding of the project has been done by Tanroads. It is expected the project will take 12 months to upgrade the existing road to a high-quality gravel road whilst the process of sealing with bitumen will be ongoing, approximately 5km of bitumen is already completed whilst another 5km is in progress. It is now expected that Magnis' main road upgrade priority will be the upgrade of some 12kms of road that leads directly into the site north from Ruangwa.

MOU with Rosatom

In January this year, Magnis signed a Memorandum of Understanding (MOU) with Russia's ROSATOM International Network (ROSATOM) for project financing and offtake of Super Jumbo and Jumbo flake graphite. ROSATOM is a highly-regarded group that is a world leader in the construction and operating of nuclear reactors with flake graphite being a key material used in nuclear reactors.

Interest revolves around the Super Jumbo (+500 microns) and Jumbo (+300 microns) flake graphite sizes. The larger flake sizes are currently being consumed by ROSATOM in several of its business divisions including nuclear power generation, aerospace and creating composites.

Later in the reporting period, Magnis announced that following the successful testing of its graphite samples sent to ROSATOM, a bulk sample program was going to be undertaken by U1, a wholly owned subsidiary of ROSATOM. The sampling program was designed and will be focused on producing Super Jumbo, Jumbo and battery feedstock. It is expected approximately 18 tonnes of ore will be required. The ore will be extracted from drill sample to give a full representation of the ore body and minimise any risk from localised variability. Most of the drill sample is already available with concentrate to be produced in Australia and sent to U1 for testing.

ROSATOM through U1 is the owner of the Mkuju River uranium project located in Southern Tanzania which was acquired in 2011 from ASX listed Mantra Resources.

SEZ

Magnis was provided approval by the Export Processing Zones Authority (EPZA) in March this year to operate within a Special Export Zone (SEZ) in Tanzania which will allow the Company to apply the advanced technologies it has been developing to produce value enhanced graphite products.

SEZ legislation was introduced in Tanzania in 2006 and provides incentives for companies to create value add and advance employment and development of Tanzania. The SEZ legislation required Magnis to register a separate company in Tanzania to hold the SEZ licence and this will be held by Magnis Technologies Tanzania Ltd (MTT). UTZ will plan to operate the mine and main operations and produce the graphite concentrate which will then be sold at commercial rates (arm's length transfer pricing principles) to MTT. At current market pricing, the transfer price would be between US$600 - $650 per tonne. MTT will then use the technology Magnis has developed to produce the final advanced products.

Magnis has for the last two years been actively developing advanced technologies to produce very high quality graphite products and this technology is well suited to the SEZ requirements. Magnis has also been very cognisant of the focus of the Tanzanian government on value enhancement of exports and this SEZ development is a result of our commitment to those objectives.

The SEZ will operate on a section of land which will be excised from the existing SML area and therefore no further land acquisition is required.

Key benefits include the exemption from payment of corporate tax for ten years, the exemption of taxes and duties for machinery, equipment and construction materials for the development of SEZ infrastructure and the exemption from payment of withholding tax on rent, dividends and interest for ten years.

Capital Markets

Magnis managed to raise capital in the past financial year without a new equity placement of shares. The Company last conducted an equity placement of shares in February 2016. Recently funds were predominantly raised from listed options that expired on 31 May 2017. The exercise price of each option was 9.533 cents per share and a grand total of $11,046,154 was raised in the past financial year from the exercising of these listed options.

A further $2,074,940 was raised through the exercising of unlisted options at varying exercise prices.

Magnis was included into the S&P/ASX 300 Index during the month of September 2016 and remains in this index as of the most recent re-balance date of September 2017. This index is often used as a benchmark for many domestic equity fund managers to track their sector portfolio performance.

SIGNIFICANT EVENTS AFTER THE REPORTING DATE

Revised Mining Legislation in Tanzania

In the early weeks of the new financial year, there were some significant and sudden legislative amendments to the framework governing the mining and natural resources sector in Tanzania. Until further clarity of these amendments was attained and the potential impact that these changes would have on the Nachu Graphite Project in Tanzania, Magnis entered a voluntary suspension of trading of shares on the ASX.

Three Bills were passed by the Tanzanian parliament on the 3rd and 4th July 2017 and have since been officially signed so that the Bills have become Acts and operate as law by the President. The three Bills can be found on the Tanzanian Parliament website and are as follows:

- The National Wealth and Resources (Permanent Sovereignty) Act, 2017. Act Supplementary No. 5 G N 27 vol. 98 dated 7 July 2017.
- The National Wealth and Resources Contracts (Review and Re-negotiation of Unconscionable Terms) Act, 2017. Act Supplementary No. 6 GN 27 vol. 98 dated 7 July 2017.
- The Written Laws (Miscellaneous Amendments) Act, 2017. Act Supplementary No. 7 G N 27 vol. 98 dated 7 July 2017.

Key points of note at the time of writing were:

- The sections of the Written Laws (Miscellaneous Amendments) Act, 2017 that were changed shall be clarified in the new regulations and mining rules which are currently said to be under preparations and technical review for workability.
- The Minister responsible for minerals has not been appointed.
- The Commission under the President's Office has not been formed.
- The appointment of the Minister and establishment of the Commission are very important to the Mining Sector upon which major decisions are premised.

Magnis' legal advice confirms the in-country management and Board's assessment that until all the above items are completed and clarifications on uncertainties have been issued by competent authorities, particularly in regard to working regulations that append to the legislation, the Company cannot have a final statement on the impacts of changes in the legislation to the Project at this time. Magnis continues to have a close working relationship with the Government and is still carefully following up developments with relevant authorities so that all objectives are met.

The new legislation will potentially impact Magnis' wholly-owned subsidiary, UTZ, that plans to conduct the graphite mining operations and the production of a standard graphite concentrate. The level of impact requires further clarification given that the Project holds a SML and held a Mineral Development Agreement (MDA).

The MDA is now invalid due to the legislation changes although this event has less impacting material effect to the Company than to some companies that didn't have an MDA, notably the introduction of a minimum Government free carried shareholding of a project.

The Written Laws (Miscellaneous Amendments) Act 2017 has the inclusion of section 10 of the legislation referencing not less than 16 percent non-dilutable free carried interest in shares of the mining company (UTZ in this case) in comparison to the 5 percent free carried shareholding in the Project for the Government of Tanzania as was originally agreed upon in the MDA.

The Natural Wealth and Resources Contracts Act, 2017 mentions Government re-negotiation of unconscionable terms that will need to be investigated further and require clarification for the Company. Although the Company believes this does not affect its current position, it will require the regulations to be finalised and the Mining Commission to confirm any impacts.

In addition to the free carried interest shares in UTZ, the government can acquire up to 50 percent of the shares in the mining company commensurate with the total tax expenditures incurred by the Government or tax incentives in favour of the mining company. One of the key terms agreed to in the MDA was a tax rate of 30%, thus no special tax concessions were applicable given the current tax rate in Tanzania already is 30%. Again, the Company believes this does not affect its current position. A production royalty of 3% was also agreed to in the original MDA, and this remains unchanged for industrial minerals within the new legislation.

An amendment to the Mining Act in section 90 has occurred whereby an inspection fee of 1% of the gross value of exportation of mineral or minerals shall apply. This is a new inclusion that will have a minor impact on the Project.

Within the revisions, the benefits to Tanzania from Natural Resources requires exploration and mining companies to demonstrate how mining projects benefit the Tanzanian economy and people. A portion of returns from mining projects must be re-invested in Tanzania. Preference must be given to goods produced in Tanzania and must be acquired and imported through Tanzanian companies. Magnis has always encouraged and developed local employment and training and has always purchased locally wherever possible.

Magnis is the only company that, through its subsidiaries, holds a SML and SEZ status in Tanzania allowing for an integrated working relationship.

The situation with the recently introduced legislation in Tanzania continues to evolve, impacting all companies working within the mining and exploration sector, including those that hold Mining Licences (ML) and SMLs.

UTZ is the exploration and mining entity that will produce a graphite concentrate of 90% to 95% purity at the Nachu Graphite Project. MTT is the entity that will further process and beneficiate graphite concentrate in the SEZ, into higher grade graphite products using proprietary technology, that Magnis has developed.

The Company has received confirmation in writing by the EPZA in August 2017 that the new legislation will not impact MTT.

The Company awaits appointments for the newly prescribed "Mining Commission", to confirm all mining licence agreements, and await the appointment of a new Minister for the Ministry of Energy and Minerals to allow meaningful and authoritative communication to occur.

UTZ has been formally notified as holder of a SML that listing of 30% of UTZ on the Dar es Salaam Stock Exchange (DSE) is required in accordance with the provisions of the Capital Market and Securities Act; to meet the requirements of the Mining (Minimum Shareholding and Public Offering) Regulations, 2016 as amended in 2017. The Company has been informed that there is the requirement to list 30% of shares in UTZ (UTZ only) in a period of 6-12 months.

Although UTZ will exhaust all avenues to a successful listing, it is apparent, through initial legal and expert references, UTZ may not meet the requirements of listing on the DSE and so shall work towards a point in which this can be confirmed and the trigger point for obtaining a waiver from listing from the Minister of the Ministry of Energy and Minerals of Tanzania. Once a Minister and Commission are appointed further discussions on the UTZ listing and or waiver can be negotiated.

In summary, a level of uncertainty remains within the Tanzanian mining framework. Magnis and its advisors will continue to assess the impact of these changes. All recent developments have had no net detrimental impact on the Project financial viability as set out in the 2016 BFS and the Company's Board and Management continue to support the Project's development.

Magnis have always acted in the best interests of all stakeholders in the Project and have been respectful in dealings with the Government of Tanzania. This will continue and the Company respects the Government's ambition to amend the mining legislative laws to provide the country with a structured framework for the industry going forward.

MOU signed with future German Lithium-Ion Gigafactory TerraE

Magnis announced the signing of a Memorandum of Understanding (MOU) in August with German Lithium-ion battery consortium TerraE-Holding GmbH (TerraE) for the supply of raw materials to the TerraE Gigafactories.

TerraE plans to build 34GWh of production capacity across two locations in Germany. First stage production is expected to commence in late 2019. The agreement further strengthens Magnis' position in the rapidly growing Lithium-ion battery market, building on the Company's involvement in Gigafactories in Townsville and New York.

TerraE was recently established with the target to setup mass production of Lithium-ion battery cells of 34 GWh in Germany. TerraE leads a project made up of 18 German companies and research institutes, which is planning the construction, development and fit-out of the Gigafactories during the next two years. The consortium includes companies throughout the supply chain including infrastructure, manufacturing planners, material producers, machine engineering groups, cell manufacturers and industrial consumers.

Target markets that have been identified are power tools, electric vehicles, utility electric vehicles, energy storage systems and industrial sectors.

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 2016 and 2017 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: 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), 1 February 2016; Nachu Graphite Project Updated Mineral Resource (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 of this information in the form and context in which it appears in this report.

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 of the data in the form and context in which it appears.

Schedule of Mineral Tenements

Tenement Number	Project / Tenement Name	Locality	Group Ownership %
PL7377/2011	Ruangwa	Tanzania	100
SML550/2015	SML Nachu	Tanzania	100
PL10906/2016	Nachu	Tanzania	100

ANNUAL FINANCIAL REPORT

For the year ended 30 June 2017

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 2017.

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 past ten years he has been involved in various ventures increasing shareholder value in both these sectors. Frank has a significant number of share holdings in the Company collective with his pro-active nature of business.

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

Special responsibilities
Frank was the Chairman of Remuneration Committee from 31 October 2016 to 30 June 2017. Frank is also a member of the Audit and Sustainability Committees.

Johann C Jooste-Jacobs (Non-Executive Director)

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 Erinbar Limited (delisted in January 2016 and previously known as 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 ASX 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 a member of the Remuneration Committee.

Peter Tsegas (Non-Executive Director)

Appointed 16 June 2015

Peter has over 17 years of experience in Tanzania where he has been a resident for the past 12 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 ASX 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.

Peter Sarantzouklis (Non-Executive Director)

Appointed 2 November 2016

Peter has held executive roles within the banking industry with wide ranging experiences over the past 22 years.

Roles have included Chief Financial Officer and Head of Strategy for the St George Banking Group, as well as Chief Product Officer for Westpac Bank. Prior to this Peter was with General Electric for 10 years and specialised in transformation, large scale program management and quality process optimisation.

Peter has strong skills around products, financing and governance and has been a long-term shareholder of Magnis.

Current and former directorships of ASX listed companies in last three years:
Peter was Chairman of Uranex Limited (changed name to Magnis in September 2014) and resigned as a Director on 29 August 2014.

Special responsibilities
None

Marc Vogts (Non-Executive Director)

Appointed 2 November 2016

Marc is a project executive with over four decades of experience in the mining industry and over 30 years experience as a Senior Executive in major projects in South Africa, Madagascar, Australia, Canada, Chile, Papua New Guinea and USA.

Marc has held project executive director roles for the likes of BHP Billiton and Rio Tinto during his career. In recent roles Marc was Project Director for the QMM Project in Madagascar for Rio Tinto, Vice President for Project Management for BHP Billiton and Vice President for all Uranium Projects including Olympic Dam for BHP Billiton.

Currently Marc is the Chief Executive Officer at the John Grill Centre for Project Leadership at the University of Sydney, a world leading project leadership executive education for value creation and realisation in large-scale projects.

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

Special responsibilities
None

Distinguished Professor Michael Stanley Whittingham (Non-Executive Director)

Appointed 4 November 2016

Professor Stanley Whittingham has over four decades of experience in the lithium-ion battery industry and is best known for being a key figure in the invention of the lithium-ion battery technology which earned him a nomination for the Nobel Science Prize.

During his illustrious career Professor Whittingham has headed large projects for the US Department of Energy, Exxon and Schlumberger. He has 16 US patents and has been involved in writing over 240 pieces of scientific and engineering literature.

Currently, Professor Whittingham is a professor of Chemistry and a Director of both the Materials Research and Materials Science and Engineering program at Binghamton University which is part of the State University of New York. Professor Whittingham is also Director of the Northeast Center for Chemical Energy Storage (NECCES), which is an effort being led by Binghamton University, and includes as partners Rutgers University, Argonne National Laboratory, Cambridge University, MIT, University of Michigan, University of Illinois at Chicago, University of California at Santa Barbara and University of California at San Diego.

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

Special responsibilities
None

Dr Ulrich Helmut Bez (Non-Executive Director)

Appointed 7 February 2017

Dr Bez has over four decades of experience in the automotive industry. He is viewed as one of the key figures contributing to the future of the industry in the last 40 years. He had executive roles in some of the world's most recognised luxury car brands, as well as premium and mass car manufacturers.

During his career Dr Bez was the Chairman and Chief Executive Officer for Aston Martin between 2000 and 2014. During that period Dr Bez has been internationally acclaimed for turning Aston Martin into the global luxury brand that it is today.

Dr Bez has played an important role in shaping global powerhouses Porsche and BMW. At Porsche Dr Bez kept the iconic Porsche 911 alive with the 993 development, ignoring the Boards desire to replace the 911. He led the design and development of the 911 Turbo along with many other models while at BMW he created the BMW Technik GmbH division which included the design of the critically acclaimed Z1 model.

Dr Bez has also held director level roles with the likes of Daewoo and has been an advisor of some of the world's largest automotive organisations.

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

Special responsibilities
None

Colin Johnstone (Non-Executive Director)

Appointed 27 May 2016. Resigned 31 October 2016

Colin 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 ASX listed companies in last three years:
Evolution Mining Limited (ASX:EVN)
Metallum Limited (ASX:MNE) (Resigned 15 October 2015)

Special responsibilities
He was Chairman of the Remuneration Committee from 1 July 2016 to 31 October 2016.

Len Eldridge (Executive Director)

Appointed 27 May 2016. Resigned 31 October 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 ASX listed companies in last three years:
None

Special responsibilities
None

COMPANY SECRETARY

Doug Richardson
(Company Secretary)
Appointed 14 January 2015

Doug Richardson has over 22 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	14,267,500	1,000,000
Peter Sarantzouklis	5,992,183	-
Johann Jooste-Jacobs	5,555,714	1,000,000
Marc Vogts	78,125	-
Peter Tsegas	20,000	1,750,000
Stan Whittingham	-	-
Ulrich Bez	-	-

NATURE OF OPERATIONS AND PRINCIPAL ACTIVITIES

The principal activity of the Group during the year was evaluation 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 (2016: $NIL). The Directors do not recommend the payment of a dividend for this financial year.

CORPORATE INFORMATION

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

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	121,097,751	Ordinary	$13,121,094	$nil

EMPLOYEES

Magnis Resources Limited had six employees as at 30 June 2017 (2016: six employees).

Category of employee	Total	Gender	
		Male	Female
All Employees and Board	13	12	1
Senior Executives	5	5	-
Board	7	7	-

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, library 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.
- Magnis has been instrumental in setting up and supporting the development of the Ruangwa jogging club and sponsorship of the inaugural Nachu Football league for the Matambarale and Chunyu Wards. Uniforms and appropriate clothing and activity wear has been supplied to compliment this support. This creates local participation within the community and a positive environment.
- 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 such as a significant number of books.
- 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 hosted geology students from the Universities of Dar es Salaam and the University of Dodoma to provide exploration experience and technical training in their final year of studies.
- Magnis, through its 100% subsidiary entity, Uranex Tanzania Limited (UTL) were invited and attended a graduation ceremony for the army reserve in the Ruangwa district. This followed on from UTL providing donations for army uniforms. Further benefits via potential employment of these reserve recruits in some capacity could be a possibility.
- As part of the community resettlement process for the project development, a valuation of assets for all Project Affected Peoples (PAP) was conducted. The valuation process was managed by PaulSam Geo-Engineering and Ardhi University, a key institution in Tanzania that deals with land and settlement research and education in accordance with Tanzanian legislation. While there are some 773 PAP, most comprise small acreage farmers with only an estimated 59 residences requiring relocation.
- During the compensation payment stage, UTL provided financial literacy courses to the recipients of these payments that will assist with managing funds and wealth management.

CORPORATE

Director Movements

Mr Colin Johnstone resigned from his position of Non-Executive Director on 31 October 2016.
Mr Len Eldridge resigned from his position of Executive Director on 31 October 2016.
Mr Peter Sarantzouklis was appointed as a Non-Executive Director on 2 November 2016.
Mr Marc Vogts was appointed as a Non-Executive Director on 2 November 2016.
Distinguished Professor Stanley Whittingham was appointed as a Non-Executive Director on 4 November 2016.
Dr Ulrich Helmut Bez was appointed as a Non-Executive Director on 7 February 2017.

Exercise of Listed Options

There were 115,872,751 listed options that were exercised.

Exercise of Unlisted Options

There were 5,225,000 unlisted options that were exercised.

OPERATING RESULTS FOR THE YEAR

The Group incurred an operating loss after tax of $9,756,434 (2016: $12,026,781). Refer to Note 1 of the financial statements for accounting policies used. Summarised segment operating results are as follows:

	2017	
Identity of Related Party	**Income $**	**Results $**
Australia	490,335	(14,123,828)
East Africa	1,944,920	(5,963,971)
Intersegment elimination	(1,925,461)	10,331,365
Income and losses before tax	509,794	(9,756,434)

The Group continued its focus on exploration, evaluation and development in Tanzania. Exploration costs for the year amounted to $4,003,033 (2016: $7,793,472).

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 2017 of $346,581 (2016: $4,391,398). During the year the Group raised $13,121,094 (2016: $9,697,156) from options exercised. At year end the Group has liquid funds of $7,554,985 (2016: $7,208,404) available for future operational use and has no borrowings (2016: $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:

- $13,121,094 (2016: $9,697,156) from the exercise of options then subsequent issue of 121,097,751 (2016: 95,806,548) ordinary fully paid shares.

Capital Expenditure

Capital expenditure on property, plant and equipment during the year was $178,621 (2016: $55,998).

GROUP PERFORMANCE

Annual Net Income

	2017	2016	2015	2014	2013
Consolidated loss after tax	9,756,434	12,026,781	13,244,576	5,177,375	4,912,364

Shareholder Returns

	2017	2016	2015	2014	2013
Share price at financial year end ($)	0.515	0.975	0.24	0.16	0.048
Basic loss per share (cents)	2.09	3.42	4.22	1.98	2.32
Diluted loss per share (cents)	2.09	3.42	4.22	1.98	2.32

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 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

None.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The Group's exploration activities in Tanzania are subject to environmental regulations and guidelines operating in the licenced 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 2017.

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	
	A	B	A	B	A	B	A	
Number of meetings attended:								
J C Jooste-Jacobs	5	5	2	2	-	-	*	*
F Poullas	5	5	2	2	-	-	-	-
P Tsegas	5	5	1	2	*	*	-	-
C Johnstone	3	3	*	*	-	-	*	*
L Eldridge	3	3	*	*	*	*	*	*
P Sarantzouklis	2	2	*	*	-	-	*	*
M Vogts	2	2	*	*	*	*	*	*
MS Whittingham	1	2	*	*	*	*	*	*
U Bez	1	2	*	*	*	*	*	*

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 P Tsegas. The Remuneration Committee comprised F Poullas (Chairman), J C Jooste-Jacobs, C Johnstone and P Sarantzouklis. C Johnstone was Chairman of the Remuneration Committee from 1 July 2016 to 31 October 2016 and resigned as a Director of the Company on 31 October 2016. The Sustainability Committee comprised of P. Tsegas (Chairman), F. Poullas and R J Chittenden (Head of Operations).

L Eldridge resigned as a Director of the Company on 31 October 2016.

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.

The current maximum aggregate of Non-Executive Directors fees payable is $400,000; having been approved by members on 14 November 2008. The current aggregate Director Fees paid to Directors have exceeded the maximum payables fees due to the increase in the number of Directors during the 2016-17 Financial Year. The Board will seek to increase the maximum aggregate fees payable in the 2017 Annual General Meeting as per the Company's Constitution. This will represent the first increase to the maximum aggregate amount in 9 years. Presently, Non-Executive Directors receive annual fees of between $65,000 to $70,000 and the Non-Executive Chairman $120,000. 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.

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 20 - 22 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. 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 Magnis Option Share Trust ("MOST").

During the financial year 5,150,000 options (2016: 750,000) on varying terms and conditions were allotted to the Trust under the share scheme.

Service agreements
Remuneration and other terms of employment for key management personnel are formalised in service agreements.

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.

Rodney Chittenden – Head of Operations

- No agreement expiry date;
- Remuneration is $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 2017

	Salary & Fees $	Cash Bonuses $	Post Employment Benefits^ $	Share Based Payments Options # $	Total~ $
Non Executive Directors					
F Poullas*	120,000	-	11,400	217,600[1]	349,000
J C Jooste-Jacobs	70,000	-	6,650	217,600[1]	294,250
P Tsegas*	70,000	-	-	217,600[1]	287,600
P Sarantzouklis (appointed 2 Nov 16)	43,333	-	-	-	43,333
M Vogts (appointed 2 Nov 16)	43,333	-	-	-	43,333
M S Whittingham (appointed 4 Nov 16)	46,667	-	-	-	46,667
U Bez (appointed 7 Feb 17)*	25,997	-	-	-	25,997
C Johnstone (resigned 31 Oct 16)	23,333	-	-	-	23,333
Executive Directors					
L Eldridge (resigned 31 Oct 16)*	62,500	-	-	-	62,500
Key management personnel					
F Houllis	286,000	10,000	27,170	-	323,170
R J Chittenden	254,373	-	27,811	-	282,184
	1,045,536	**10,000**	**73,031**	**652,800**	**1,781,367**

[1] Represents 1,000,000 unlisted options granted to each Director by shareholder at the Annual General Meeting held on 21 October 2016.
* 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.

Table 2: Remuneration for the year ended 30 June 2016

	Salary & Fees $	Cash Bonuses $	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

	Salary & Fees $	Cash Bonuses $	Post Employment Benefits^ $	Share Based Payments Options # $	Total~ $
R J Chittenden	255,986	20,000	25,262	-	301,248
	792,716	30,000	69,562	50,228	942,506

[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
* 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.

Compensation options granted and vested

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

Table 1: Options Awarded

Grant Date and Vesting Date	Expiry Date	Grant Date Fair Value $	Number	Fair Value Expense under AASB 2 $
Aug-16	Aug-19	0.2789	2,100,000	585,690
Oct-16	Oct-19	0.2176	3,000,000*	652,800
Dec-16	Dec-18	0.2357	1,500,000	353,550
Apr-17	Apr-18	0.0891	500,000	44,550
Apr-17	Apr-20	0.0911	1,000,000	91,100

* Director or KMP Options

Table 2: Options Exercised

Grant Date and Vesting Date	Expiry Date	Grant Date Fair Value $	Number	Fair Value Expense under AASB 2 $
Nov-13	Nov-16	0.0436	125,000	5,450
Mar-14	Mar-17	0.0762	500,000	38,100
Jan-15	Jan-18	0.058	250,000	14,500
Jan-15	Jan-18	0.083	600,000	49,800
Nov-15	Nov-17	0.1095	1,500,000	164,250
Nov-15	Nov-18	0.1004	250,000	25,100
May-16	Nov-17	0.239	1,500,000	358,500
May-16	Nov-17	0.1539	500,000	76,950

ADDITIONAL INFORMATION

The earnings of the consolidated entity for the five years to 30 June 2017 are summarised adjacent:

	2017	2016	2015	2014	2013
(Loss) after income tax	(9,756,434)	(12,026,781)	(13,244,576)	(5,177,375)	(4,912,364)

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

	2017	2016	2015	2014	2013
Share price at financial year end ($)	0.515	0.975	0.24	0.16	0.049
Total dividends declared (cents per share)	-	-	-	-	-
Basic loss per share (cents per share)	2.09	3.42	4.22	1.98	2.32

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 adjacent:

	Balance at the start of the year	Granted	Additions	Disposals/others	Balance at the end of the year
Ordinary shares					
F Poullas	9,470,926	-	4,796,574	-	14,267,500
J C Jooste-Jacobs	5,172,857	-	382,857	-	5,555,714
P Tsegas	20,000	-	-	-	20,000
P Sarantzouklis (appointed 2 Nov 16)!	3,852,183	-	2,140,000	-	5,992,183
M Vogts (appointed 2 Nov 16)!	-	-	78,125	-	78,125
M S Whittingham (appointed 4 Nov 16)!	-	-	-	-	-
U Bez (appointed 7 Feb 17)!	-	-	-	-	-
C Johnstone (resigned 31 Oct 16)*	116,666	-	-	-	116,666
L Eldridge (resigned 31 Oct 16)*	-	-	16,000	-	16,000
F Houllis	11,346	-	61,171	-	72,517
R J Chittenden	1,050,334	-	-	(2,391)	1,047,943
	19,694,312	-	7,474,727	(2,391)	27,166,648

* closing balance at time of resignation as Director
! opening balance at time of appointment as Director

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:

	Balance at the start of the year	Granted	Additions	Exercised	Balance at the end of the year#
F Poullas	4,640,500	1,000,000	-	(4,640,500)	1,000,000
J C Jooste-Jacobs	362,857	1,000,000	20,000	(382,857)	1,000,000
P Tsegas	750,000	1,000,000	-	-	1,750,000
P Sarantzouklis (appointed 2 Nov 16)!	2,140,000	-	-	(2,140,000)	-
M Vogts (appointed 2 Nov 16)!	-	-	-	-	-
M S Whittingham (appointed 4 Nov 16)!	-	-	-	-	-
U Bez (appointed 7 Feb 17)!	-	-	-	-	-
C Johnstone (resigned 31 Oct 16)*	-	-	-	-	-
L Eldridge (resigned 31 Oct 16)*	1,000,000	-	-	-	1,000,000
F Houllis	2,278,486	-	-	(28,486)	2,250,000
R J Chittenden	750,000	-	-	-	750,000
	11,921,843	3,000,000	20,000	(7,191,843)	7,750,000

* closing balance at time of resignation as Director
! opening balance at time of appointment as Director
all options vest immediately and are exercisable at anytime

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 2017 $	2016 $
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	307,279	327,817
Peter Tsegas	Peter Tsegas is a Director of Magnis Resources Ltd	Consulting Fees	Normal commercial terms	49,084	56,494
Dr Ulrich Bez HonDTech	Dr Ulrich Bez is a Director of Magnis Resources Limited	Consulting Fees	Normal commercial terms	5,500	-
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	72,250	184,634
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

2016 REMUNERATION REPORT

The Remuneration Report received positive shareholder support from members (98%) at the 2016 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 2017 in Magnis Resources Limited are:

Number of Ordinary Shares under Option	Class of Shares	Exercise Price of Option $	Expiry Date of Option
750,000	Ordinary	0.22033	Nov-17
750,000	Ordinary	0.29533	Nov-17
3,000,000	Ordinary	0.29533	Feb-18
2,650,000	Ordinary	0.34533	Jan-18
375,000	Ordinary	0.35	Nov-18
1,000,000	Ordinary	0.39533	Nov-18
375,000	Ordinary	0.45	Nov-18
750,000	Ordinary	0.49533	Nov-18
1,500,000	Ordinary	0.5	Feb-18
500,000	Ordinary	0.6	Nov-17
500,000	Ordinary	0.7	Apr-18
2,100,000	Ordinary	0.7	Aug-19
3,000,000	Ordinary	0.7	Oct-19
1,500,000	Ordinary	0.7465	Dec-18
1,000,000	Ordinary	1	Apr-20

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 121,097,751 (2016:95,806,548) shares issued during the 2017 financial year as a result of exercising of options.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

The Company has 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 not 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

Subsequent events since the end of the year are outlined in note 20 'Subsequent events' to the Financial Statements.

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 $84,425.

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 21 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 and 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 32.

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, 28 September 2017

AUDITOR'S INDEPENDENCE DECLARATION

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 2017, 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

Partner

BDO East Coast Partnership

Sydney, 28 September 2017

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 seven non-executive Directors with a broad range of skills, expertise and experience, and all of whom add value to the operation of the Board. The Board comprises all independent Directors while the Non Executive Chairman has a 2.6% shareholder stake of the Company.

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 considered all Non Executive, 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 2017 Annual Report.

Remuneration Committee

The Remuneration Committee comprised three Non-Executive Directors, which during the reporting period comprised Mr. F Poullas (Chairman), Mr. J C Jooste-Jacobs, Mr. P Sarantzouklis and Mr. C Johnstone. Mr. C Johnstone resigned as Director of the Company on 31 October 2016. Mr. C Johnstone was appointed Chairman of the Remuneration Committee on 1 July 2016 and following his resignation as a Director, Mr. F Poullas was then appointed Chairman of the Remuneration Committee on 1 November 2016. Mr. P Sarantzouklis was appointed as a Remuneration Committee member on 2 November 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 P Tsegas.

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 (Chairman). 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.

As the operations of the Company increase, 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;
- 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 2016.

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).

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 www.magnis.com.au is updated regularly with business activity information and is linked to all announcements published on the ASX;
- 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;
- the number of the Company's website subscribers whom receive an email on a significant news announcement is considered significant, with 1,816 subscribers with a total of 4,873 shareholders as per the share registry reports;
- 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 CORPORATE GOVERNANCE COUNCIL'S PRINCIPLES AND RECOMMENDATIONS

	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
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

ASX Principle		Compliance
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.	Comply
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		
3.1	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.
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.

ASX Principle		Compliance
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
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 2017

	Notes	Consolidated 2017 $	2016 $
Income			
Interest received		24,141	27,346
R&D Grant		303,243	129,996
Foreign exchange gain / (loss)		182,410	(322,174)
Other revenue		-	8,741
Total income		**509,794**	**(156,091)**
Expenditure			
Administration expenses		1,492,247	1,515,443
Depreciation expense		62,588	33,889
Directors fees		601,934	304,110
Employee benefits expense		1,164,244	743,576
Legal and consulting expenses		1,214,492	1,439,724
Share based payments to employees	27(a)	1,064,635	50,226
Share based payment to non-employees	27(a)	663,055	1,737,150
Exploration and evaluation expenses		4,003,033	7,793,472
Total expenditure		**10,266,228**	**13,617,590**
Gain from demerger activities	14	-	1,746,900
(Loss) before income tax expense		**(9,756,434)**	**(12,026,781)**
Income tax expense	5	-	-
Net (loss) for the year		**(9,756,434)**	**(12,026,781)**
Other comprehensive income/(loss)			
Items that may be subsequently reclassified to profit or loss			
Foreign currency translation		(175,452)	301,020
Other comprehensive income / (loss) for the year, net of tax		**(175,452)**	**301,020**
Total comprehensive income / (loss) for the year, net of tax		**(9,931,886)**	**(11,725,761)**
Attributable to non-controlling interests		(73)	-
Attributable owners of Magnis Resources Ltd		(9,931,813)	(11,725,761)
Basic loss per share (cents per share)	22	2.09	3.42
Diluted loss per share (cents per share)	22	2.09	3.42

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

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2017

	Notes	Consolidated 2017 $	2016 $
Current assets			
Cash and cash equivalents	6, 17(b)	7,554,985	7,208,404
Trade and other receivables	7	247,820	212,101
Total current assets		**7,802,805**	**7,420,505**
Non current assets			
Other receivables	8	162,026	67,391
Development assets	9	4,986,400	-
Property, plant & equipment	10	209,161	92,057
Total non current assets		**5,357,587**	**159,448**
Total assets		**13,160,392**	**7,579,953**
Current liabilities			
Trade and other payables	11	1,128,057	544,417
Provisions	12	236,103	150,854
Total current liabilities		**1,364,160**	**695,271**
Non current liabilities			
Provisions	12	22,613	19,675
Total non current liabilities		**22,613**	**19,675**
Total liabilities		**1,386,773**	**714,946**
Net assets		**11,773,619**	**6,865,007**
Equity			
Contributed equity	13(a)	101,278,402	87,476,445
Reserves	16	7,997,761	7,134,673
Accumulated Profits/(Losses)		(97,502,472)	(87,746,111)
Non controlling interests		(72)	-
Total equity		**11,773,619**	**6,865,007**

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

STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 30 JUNE 2017

	Notes	Issued Capital $	Options $	Share Based Payment Reserves $	Foreign Currency Translation Reserve $	Accumulated (Losses) $	Non controlling interests $	Total Equity $
At 1 July 2016		**85,501,522**	**1,974,923**	**2,235,537**	**4,899,136**	**(87,746,111)**	**-**	**6,865,007**
Loss for the period		-	-	-		(9,756,361)	(73)	(9,756,434)
Other comprehensive income/(loss)		-	-	-	(175,452)	-	-	(175,452)
Total comprehensive income/(loss) for the year		**-**	**-**	**-**	**(175,452)**	**(9,756,361)**	**(73)**	**(9,931,886)**
Transactions with owners :								
Contributions of equity, net of transaction costs		13,112,807	-	-	-	-	-	13,112,807
Share based payments	27	-	-	1,727,690	-	-	-	1,727,690
Equity contributed		-	-	-	-	-	1	1
Reclassification from reserve		2,664,073	(1,974,923)	(689,150)	-	-	-	-
At 30 June 2017		**101,278,402**	**-**	**3,274,077**	**4,723,684**	**(97,502,472)**	**(72)**	**11,773,619**

	Notes	Issued Capital $	Options $	Share Based Payment Reserves $	Foreign Currency Translation Reserve $	Accumulated (Losses) $	Non controlling interests $	Total Equity $
At 1 July 2015		**70,162,879**	**1,974,923**	**1,892,579**	**4,597,116**	**(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 :								
Contributions of equity, net of transaction costs		16,342,678	-	-	-	-	-	16,342,678
Share based payments	27	-	-	1,787,376	-	-	-	1,787,376
Demerger distribution	14	(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**

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

STATEMENT OF CASH FLOWS

YEAR ENDED 30 JUNE 2017

	Notes	Consolidated 2017 $	2016 $
Cash flows from operating activities			
Payments to suppliers and employees		(4,522,175)	(4,037,716)
Payment of exploration expenditure		(3,903,660)	(8,001,926)
Payment for development assets	9	(4,478,388)	-
Interest received		22,818	27,394
R&D grant		303,243	129,996
Other receipts		-	8,741
Net cash from/(used in) operating activities	17(a)	**(12,578,162)**	**(11,873,511)**
Cash flows from investing activities			
Acquisition of property, plant & equipment		(181,324)	(55,998)
Payment of initial contribution to Uranium Africa Ltd		-	(20,000)
Net cash flows (used in) investing activities		**(181,324)**	**(75,998)**
Cash flows from financing activities			
Proceeds from issues/sale of ordinary shares and options		13,121,094	16,697,155
Capital raising expenses		(8,287)	(355,533)
Net cash flows from /(used in) financing activities		**13,112,807**	**16,341,621**
Net increase/(decrease) in cash and cash equivalents		353,321	4,392,112
Net foreign exchange differences		(6,740)	(714)
Add opening cash and cash equivalents		7,208,404	2,817,006
Closing cash and cash equivalents	17(b)	**7,554,985**	**7,208,404**

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2017

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

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ("AASB") and the Corporations Act 2001, as appropriate for for-profit oriented entities.

(i) Statement of Compliance
These financial statements also comply with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB")

(ii) Historical cost convention
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.

(iii) Critical accounting estimates
The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 2

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 2017 the Group reported a net loss of $9,756,434 (2016: $12,026,781) and net operating cash outflows of $12,578,162 (2016: $11,873,511). The operating cash outflows have been funded by cash inflows from equity raisings of $13,121,094 (2016: $16,697,155) during the year. As at 30 June 2017 the Group had net current assets of $6,438,645 (2016: $6,725,234) including cash reserves of $7,554,985 (2016: $7,208,404).

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 2018. The Group has exploration commitments over the next 12 months totalling $298,191 and additional planned expenditure. In order to fully implement its development 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 28 September 2017.

New accounting standards and interpretations

(i) Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except as follows:

The Group has adopted the following new and amended Australian Accounting Standards and AASB intetpretations as of 1 July 16; none of which had a material impact on the financial statements:

- AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101

(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 been adopted by the Group for the annual reporting period ending 30 June 2017 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 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.

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.

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.

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.

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.

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.

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 27(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.

	2017 Profit/ (loss) before tax $	2017 Segment revenue $	2016 Profit/ (loss) before tax $	2016 Segment revenue $
Segment results and revenues Segments				
Australia	(14,123,828)	490,335	(12,259,525)	739,416
East Africa	(5,963,971)	19,459	(7,241,142)	56
Inter-segment elimination	10,331,365	-	7,473,886	(573,389)
Consolidated	**(9,756,434)**	**509,794**	**(12,026,781)**	**166,083**

	2017 Segment assets $	2017 Segment liabilities $	2016 Segment assets $	2016 Segment liabilities $
Segment results and revenues Segments				
Australia	7,818,329	745,591	7,062,966	690,996
East Africa	5,369,737	61,520,334	557,820	52,500,333
Inter-segment elimination	(27,674)	(60,879,152)	(40,834)	(52,476,383)
Consolidated	**13,160,392**	**1,386,773**	**7,579,952**	**714,946**

Accounting policies

The Group applies AASB 8 Operating Segments and determines its operating segments to be based on its geographical region as this is how the business is organised and reported internally. Operating segments are subject to risks and returns that are different to those of segments operating in other economic environments.

Inter-segment transactions
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.

Segment assets and liabilities

Segment assets include all assets used by a segment and consist primarily of cash and cash equivalents, Development assets, property, plant and equipment and trade and other receivables. While most of these assets can be directly attributable to individual segments, the carrying amounts of certain assets used jointly by segments are not allocated. Segment liabilities consist primarily of trade and other creditors and employee benefits. Segment assets and liabilities do not include deferred income taxes.

4. DIVIDENDS PAID OR PROVIDED FOR ON ORDINARY SHARES

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	
	2017 $	**2016 $**
Current income tax		
Current income tax credit/(expense)	2,426,431	801,952
Tax losses not recognised as not probable	(1,743,285)	(3,734,632)
	683,146	(2,932,680)
Deferred income tax		
Relating to origination and reversal of temporary differences	(683,146)	2,932,680
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	(81,088)	(3,202)
Deferred tax offset	81,088	3,202
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	(9,756,434)	(12,026,781)
At the Group's statutory 30% tax rate (2016: 30%)	2,926,930	3,608,034
Share based payment expense	(518,307)	(536,213)
Movement in temporary differences	(687,023)	20,036
Non-assessable R&D offset income	90,973	38,999
Exploration and evaluation expense write off	(152,862)	-
Deductible option issue costs	83,574	109,862
Tax losses not brought to account	(1,743,285)	(3,734,632)
Income tax (expense) reported in the Statement of Comprehensive Income	-	-

At the reporting date, the Group has estimated tax losses of $83,314,241 (2016: $78,895,129) 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.

Accounting policies

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

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.

6. CASH AND CASH EQUIVALENTS

	Consolidated	
	2017 $	2016 $
Cash on hand	1,450	54,355
Cash at bank	7,553,535	7,154,049
	7,554,985	7,208,404

Accounting policies

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.

7. TRADE AND OTHER RECEIVABLES

	Consolidated	
	2017 $	2016 $
Accrued interest	1,445	123
Goods and services tax recoverable	31,246	54,116
Prepayments and other receivables	215,129	157,862
	247,820	212,101

8. NON CURRENT ASSETS - RECEIVABLES

	Consolidated	
	2017 $	2016 $
Security deposit	162,026	67,391
	162,026	67,391

9. DEVELOPMENT ASSETS

	Consolidated	
	2017 $	2016 $
Development assets	4,986,400	-
	4,986,400	-

Accounting policies

Development assets are stated at cost less accumulated depreciation and impairment losses. Cost represents the accumulation of all the compensation and resettlement expenditure incurred by, or on behalf of, the entity in relation to areas of interest in which construction or development has commenced. Compensation and resettlement expenditures are capitalised as development assets.

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

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

10. PROPERTY PLANT AND EQUIPMENT

	Consolidated					
	Plant & equipment $	Office equipment $	Software $	Office furniture & fittings $	Motor vehicles $	Total $
Year ended 30 June 2017						
Balance at 1 July 2016 net of accumulated depreciation	**12,464**	**48,705**	**308**	**11,004**	**19,576**	**92,057**
Additions	153,962	11,418	-	2,832	10,409	178,621
Currency translation differences	(397)	1,372	-	105	(623)	457
Depreciation charge for the year	(30,079)	(20,969)	(179)	(4,390)	(6,357)	(61,974)
Balance at 30 June 2017 net of accumulated depreciation	**135,950**	**40,526**	**129**	**9,551**	**23,005**	**209,161**
At 30 June 2017						
Cost	517,726	111,231	717	14,820	32,733	677,227
Accumulated depreciation and impairment	(381,776)	(70,705)	(588)	(5,269)	(9,728)	(468,066)
Net carrying amount	**135,950**	**40,526**	**129**	**9,551**	**23,005**	**209,161**
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
Depreciation charge for the year	(12,952)	(15,971)	(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**

Accounting policies

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

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.

11. TRADE AND OTHER PAYABLES

Current	Consolidated 2017 $	Consolidated 2016 $
Trade payables	74,503	50,351
Other payables and accruals	1,043,261	458,624
	1,117,764	508,975
Related party payables and accruals	10,293	35,442
	1,128,057	**544,417**

Accounting policies

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.

12. PROVISIONS

	Consolidated 2017 $	Consolidated 2016 $
Current		
Provision for annual leave and long service leave (a)	236,103	150,854
	236,103	150,854
Non-current		
Provision for long service leave (a)	15,833	19,675
Provision for lease liability (b)	6,780	-
	22,613	**19,675**

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:

	Lease liability $
At 1 July 2016	-
Additions/(utilised/reversed)	6,780
At 30 June 2017	6,780

(a) Annual Leave and Long Service 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.

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 RBA bond rate applied for the respective years of service.

(b) Lease liability
The lease liability for the Company's registered office as per AASB 16 Operating Lease.

Accounting policies

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.

13. CONTRIBUTED EQUITY

	Number of shares and options	2017 $
a) Issued capital and options		
Ordinary shares fully paid	549,687,844	101,278,402
	549,687,844	101,278,402

In addition to the above, 19,750,000 unlisted options were not exercised as at 30 June 2017.
Please refer to Note 27(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.

	Number of shares and options	2017 $
b) Movement in fully paid shares		
At 1 July 2016	428,590,093	85,501,522
Exercise of listed options	115,872,751	11,046,154
Exercise of unlisted rights and options	5,225,000	2,074,940
Transaction costs	-	(8,287)
Reallocation	-	2,664,073
At 30 June 2017	549,687,844	101,278,402
c) Movement in listed options		
At 1 July 2016	117,672,741	1,974,923
Options exercised	(115,872,751)	-
Options expired	(1,799,990)	
Reallocation	-	(1,974,923)
At 30 June 2017	-	-

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

- $13,121,094 (2016: $9,697,156) from the exercise of rights and options, subsequent issue of 121,097,751 (2016: 95,806,548) 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 $13,121,094 (2016: $16,697,156) through options and shares issue before costs of $8,287 (2016: $355,533).

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 2016 Annual Report.

Accounting policies

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.

14. DEMERGER ACTIVITIES – PRIOR YEAR

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

15. 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 2017.

16. RESERVES

a) Reserves

	Consolidated	
	2017 $	2016 $
Foreign currency translation	4,723,684	4,899,136
Share based payment	3,274,077	2,235,537
	7,997,761	**7,134,673**

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.

17. STATEMENT OF CASH FLOWS

a) Reconciliation of the net loss after income tax to the net cash flows from operating activities

	Consolidated	
Operating activities	**2017 $**	**2016 $**
Net loss	(9,756,434)	(12,026,781)
Non cash and non operating items		
Gain on demerger activities	-	(1,746,900)
Depreciation of non current assets	62,588	33,889
Share based payments	1,727,690	1,787,376
Net foreign currency translation gain (loss)	(167,079)	302,387
Changes in assets and liabilities		
(Increase)/decrease in trade and other receivables	(92,986)	(25,024)
(Increase)/decrease in prepayments	57,267	76,678
(Increase)/decrease in security bonds	(94,635)	(17,391)
(Increase)/decrease in development assets	(4,986,400)	-
Increase/(decrease) in trade and other payables	583,640	(177,555)
Increase/(decrease) in provisions	88,187	(80,190)
Net cash outflow from operating activities	**(12,578,162)**	**(11,873,511)**

b) Reconciliation of cash and cash equivalents

Cash at bank		
Cash at bank and in hand	7,554,985	7,208,404
	7,554,985	**7,208,404**

18. 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	
	2017 $	**2016 $**
Not later than one year	298,191	767,351
	298,191	**767,351**

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) Leasing

Operating lease commitments – the Group as lessee

The Group has commercial leases on commercial property.

Future minimum rentals payable under non-cancellable operating leases as at 30 June 2017 are as follows:

	Consolidated	
	2017 $	**2016 $**
Within one year	144,713	-
After one year but not more than five years	178,743	-
Total minimum lease payment	**323,456**	**-**

19. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There are no contingent liabilities or assets at 30 June 2017. The Group has guarantees for property leases and banking finance facilities of $162,026 (2016: $50,000).

20. SUBSEQUENT EVENTS

In the early weeks of the new financial reporting year, there were some significant and sudden legislative amendments to the framework governing the mining and natural resources sector in Tanzania. Three bills were passed by the Tanzanian Parliament on the 3rd and 4th July 2017 and have since been officially signed so that the bills have become acts and operate as law by the president on the 7th July. The three bills can be found on the Tanzanian Parliament website.

Magnis's legal advice confirms the in-country management and Board's assessment that until all the above items are completed and clarification on uncertainties have been issued by competent authorities, particularly in regards to working regulations that append to the legislation, the company cannot have a final statement on the impacts of changes in the legislation to the project at this time. Magnis continues to have a close working relationship with the government and is still carefully following up developments with relevant authorities so that all objectives are met.

The new legislation will potentially impact Magnis' wholly-owned subsidiary, UTZ, that plans to conduct the graphite mining operation sand the production of a standard graphite concentrate. The level of impact requires further clarification given that the project holds a Special Mining License and held a Mineral Development Agreement (MDA). The MDA is not invalid due to the legislation changes although this event has less impacting material effect to the company, notably the introduction of a minimum government free carried shareholding of a project.

The written laws (Miscellaneous Amendments) Act 2017 has the inclusion of section 10 of the legislation referencing not less than 16 percent non-dilutable free carried interest in shares of the mining company (UTZ in this case) in comparison to the 5 percent free carried shareholding in the project for the Government of Tanzania as was originally agreed upon in the MDA.

The Natural Wealth and Resources Contracts Act, 2017 mentions Government re-negotiation of unconscionable terms that will need to be investigated further and require clarification for the Company. Although the Company believes this does not affect its current position, it will require the regulations to be finalised and the Mining Commission to confirm any impacts.

In addition to the free carried interest shares in UTZ, the government can acquire up to 50 percent of the shares in the mining company commensurate with the total tax expenditures incurred by the Government or tax incentives in favour of the mining company. One of the key terms agreed to in the MDA was a tax rate of 30%, thus no special tax concessions were applicable given the current tax rate in Tanzania already is 30%. Again, the Company believes this does not affect its current position. A production royalty of 3% was also agreed to in the original MDA, and this remains unchanged for industrial minerals within the new legislation.

An amendment to the Mining Act in section 90 has occurred whereby an inspection fee of 1% of the gross value of exportation of mineral or minerals shall apply. This is a new inclusion that will have a minor impact on the Project.

Within the revisions, the benefits to Tanzania from Natural Resources requires exploration and mining companies to demonstrate how mining projects benefit the Tanzanian economy and people. A portion of returns from mining projects must be re-invested in Tanzania. Preference must be given to goods produced in Tanzania and must be acquired and imported through Tanzanian companies. Magnis has always encouraged and developed local employment and training and has always purchased locally wherever possible.

Magnis is the only company that, through its subsidiaries, holds a SML and SEZ status in Tanzania allowing for an integrated working relationship.

The situation with the recently introduced legislation in Tanzania continues to evolve, impacting all companies working within the mining and exploration sector, including those that hold Mining Licences (ML) and SMLs.

UTZ is the exploration and mining entity that will produce a graphite concentrate of 90% to 95% purity at the Nachu Graphite Project. MTT is the entity that will further process and beneficiate graphite concentrate in the SEZ, into higher grade graphite products using proprietary technology, that Magnis has developed for this graphite.

The Company has received confirmation in writing by the EPZA in August 2017 that the new legislation will not impact MTT.

The Company awaits appointments for the newly prescribed "Mining Commission", to confirm all mining licence agreements, and await the appointment of a new Minister for the Ministry of Energy and Minerals to allow meaningful and authoritative communication to occur.

UTZ has been formally notified as holder of a SML that listing of 30% of UTZ on the Dar es Salaam Stock Exchange (DSE) is required in accordance with the provisions of the Capital Market and Securities Act; to meet the requirements of the Mining (Minimum Shareholding and Public Offering) Regulations, 2016 as amended in 2017. The Company have been informed that the requirement to list 30% of shares in UTZ (UTZ only) in a period of 6-12 months.

Although UTZ will exhaust all avenues to a successful listing it is apparent, through initial legal and expert references, UTZ may not meet the requirements of listing on the DSE and so shall work towards a point in which this can be confirmed and the trigger point for obtaining a waiver from listing from the Minister of the Ministry of Energy and Minerals of Tanzania. Once a Minister and Commission are appointed further discussions on the UTZ listing and or waiver can be negotiated.

In summary, a level of uncertainty remains within the Tanzanian mining framework. Magnis and its advisors will continue to assess the impact of these changes. All recent developments have had no net detrimental impact on the Project financial viability as set out in the 2016 BFS and the Company's Board and Management continue to support the Project's development.

Magnis have always acted in the best interests of all stakeholders in the Project and have been respectful in dealings with the Government of Tanzania. This will continue and the Company respects the Government's ambition to amend the mining legislative laws to provide the country with a structured framework for the industry going forward.

21. AUDITORS' REMUNERATION

	Consolidated	
	2017 $	2016 $
The auditor of Magnis Resources Limited in the current and previous year is BDO East Coast Partnership.		
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	60,000
Other services in relation of the entity and any other entity in the consolidated Group – Taxation services	50,969	155,085
	110,969	**215,085**
b) Weighted average number of ordinary shares outstanding during the year used in calculating basic loss per share		
An audit or review of the financial report of the entity and any other entities in the consolidated Group	10,614	13,730
Other services in relation of other entities in the consolidated Group - Taxation compliance services and Independent reviewer during compensation period	33,456	2,746
	44,070	**16,476**

22. LOSS PER SHARE

	Consolidated	
	2017 $	2016 $
a) Reconciliation of earnings to profit or loss		
Net loss Loss used in calculating basic loss per share	**9,756,434**	**12,026,781**

	Number of shares 2017	Number of shares 2016
b) Weighted average number of ordinary shares outstanding during the year used in calculating basic loss per share		
Weighted average number of ordinary shares used in calculating basic loss per share	**467,408,319**	**351,583,998**

a) Effect of dilutive securities

For the year ended 30 June 2017 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.

Accounting policies

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 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.

23. KEY MANAGEMENT PERSONNEL

a) Compensation

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

	Consolidated	
	2017 $	2016 $
Short-term employee benefits	1,055,536	822,716
Post-employment benefits	73,031	69,562
Share-based payments	652,800	50,228
	1,781,367	942,506

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

Transactions with Directors' related entities

Identity of Related Party	Nature of Rationship	Type of Transaction	Terms & Conditions of Transaction	Aggregate Amount 2017 $	2016 $
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	307,279	327,817
Peter Tsegas	Peter Tsegas is a Director of Magnis Resources Ltd	Consulting	Normal commercial terms	49,084	56,494
Dr Ulrich Bez HonDTech	Dr Ulrich Bez is a Director of Magnis Resources Limited	Consulting	Normal commercial terms	5,500	-
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	72,250	184,634
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

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

	2017 $	2016 $
Assets and liabilities		
Current liabilities		
Trade and other payables	10,293	35,442
Total liabilities	10,293	35,442

24. 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 9.19% of the ordinary shares in Magnis Resources Limited (2016: 11.31%).

25. PARENT ENTITY INFORMATION

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

	Parent 2017 $	Parent 2016 $
Statement of profit or loss and other comprehensive income		
Loss after income tax	(14,123,828)	(12,346,299)
Total comprehensive income	(14,123,828)	(12,346,299)
Statement of financial position		
Total current assets	7,506,932	6,963,684
Total assets	7,818,399	7,062,968
Total current liabilities	473,312	297,470
Total liabilities	495,925	457,164
Equity		
Issued capital	101,278,400	87,476,445
Share based payment reserves	3,274,077	2,235,534
Accumulated losses	(97,230,003)	(83,106,175)
Total equity	7,322,474	6,605,804

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2017 and 30 June 2016.

Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment at as 30 June 2017 and 30 June 2016.

Remuneration commitments

The parent entity has a remuneration commitment of $488,218 as at 30 June 2016 (2016: $478,638).

26. 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 below:

Name	Country of incorporation	Class of shares	Equity Holding * 2017 %	Equity Holding * 2016 %
Uranex Tanzania Limited	Tanzania	Ordinary	100	100
Magnis Technologies (Tanzania)[1]	Tanzania	Ordinary	99	-
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 Limited[2]	Australia	Ordinary	-	-
African Uranium Limited[3]	Australia	Ordinary	-	-
Magnis Option Share Trust (previously known as Uranex Option Share Trust) #	Australia	Ordinary	-	-

1 Magnis Technologies (Tanzania) Ltd was incorporated on 16 March 2017. The remaining 1% is in the progress of being transferred to Magnis Resources Ltd Group
2 Uranium Africa Ltd was incorporated on 15 February 2016 then left the group as per result of EGM held on 5 April 16
3 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

Accounting policies

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.

27. 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	
	2017 $	2016 $
Expense arising from the issue of options (employees)	1,064,635	64,912
Expense arising from the issue of options (non-employees)	663,055	1,737,150
Expense arising from the issue of rights	-	(14,686)
Total expense arising from share-based payment transactions	1,727,690	1,787,376

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.

	2017 No.	2017 WAEP	2016 No	2017 WAEP
Outstanding at the beginning of the year	16,875,000	0.38	11,575,000	0.23
Granted during the year	8,100,000	0.75	11,250,000	0.41
Exercised during the year	(5,225,000)	0.40	(4,150,000)	0.18
Expired during the year	-	-	(1,800,000)	0.05
Outstanding at the end of the year	19,750,000	0.52	16,875,000	0.38
Exercisable at the end of the year	19,750,000	0.52	16,875,000	0.38

The range of exercise prices for rights and options outstanding at the end of the year was between $0.2203 and $1.00 (2016: $0.1753 and $0.60).

d] Weighted average remaining estimated life

The weighted average remaining estimated life for the share options outstanding as at 30 June 2017 is 1.27 years (2016: 1.63 years).

e] Weighted average fair value

The weighted average fair value of options granted during the year was $0.21 (2016: $0.17).

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 2017.

	2017
Dividend yield (%)	Nil
Expected volatility (%)	39-49
Risk-free interest rate (%)	1.39 – 1.79
Expected life of option (years)	1-3
Option exercise price (cents)	70-100
Weighted average share price at measurement dates (cents)	65.5-83
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 Magnis Option Share Trust (MOST) acquired and was issued with 5,150,000 options on varying terms and conditions for allotment to Director (refer to Remuneration Report for details) and other employees.

Accounting policies

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.

28. 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	
	2017 $	2016 $
Cash and cash equivalents	7,554,985	7,208,404

The weighted average interest rate for the Group at reporting date was 2.37% (2016: 2.49%).

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 2017 and 2016.

		Interest Rate Risk -1%		Interest Rate Risk -1%	
30 June 2017	Carrying Amount	Net Loss $	Equity $	Net Loss $	Equity $
Consolidated Entity					
Financial asset					
Cash and cash equivalents	7,554,985	(75,550)	(75,550)	75,550	75,550
30 June 2016					
Consolidated Entity					
Financial asset					
Cash and cash equivalents	7,208,404	(72,084)	(72,084)	72,084	72,084

The sensitivity is higher in 2017 than 2016 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 2016.

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

	Consolidated	
	2017 $	2016 $
On demand	-	-
Less than 1 year	1,128,057	544,417
1-5 years	-	-
> 5 years	-	-
	1,128,057	544,417

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 2017 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 2017.

On behalf of the board

F Poullas

Non - Executive Chairman

Sydney, 28 September 2017

BDO

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INDEPENDENT AUDITOR'S REPORT

To the members of Magnis Resources Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Magnis Resources Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

In our opinion the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

(i) Giving a true and fair view of the Group's financial position as at 30 June 2017 and of its financial performance for the year ended on that date; and

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

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

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

BDO

Material uncertainty related to going concern

We draw attention to Note 1 in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the entity's ability to continue as a going concern and therefore the entity may be unable to realise its assets and discharge its liabilities in the normal course of business. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Share based payments

Key audit matter	*How the matter was addressed in our audit*
During the year, the Group issued $1.73M worth of options to its directors, employees and consultants which have been accounted for as share-based payment arrangements. Share-based payment arrangements are a complex accounting area which include assumptions utilised in the fair value calculation and estimation regarding the number of options that are expected to become exercisable. We consider the Group's calculation of the share-based payment arrangements to be a key audit matter. Refer to note 27 of the financial report for a description of the accounting policy and significant estimates and judgements applied to these arrangements.	To determine whether share-based payment arrangements were appropriately accounted for and disclosed, we undertook, amongst others, the following audit procedures: ▪ Considered whether the Group used an appropriate model in valuing the options; ▪ Reconciled to underlying share based payment valuation reports and calculations; ▪ Evaluated management's assumptions used in the calculation being interest rate, volatility, the expected vesting period, the probability of achievement and the number of options expected to vest; ▪ Reviewed market announcements and board minutes to ensure all the new options granted during the year have been accounted for; and ▪ Evaluated the adequacy and accuracy of the disclosure of the share-based payment arrangements within the financial report including disclosures comprising key management personnel remuneration.

Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2017, but does not include the financial report and our auditor's report thereon. The Group's annual report is expected to be made available to us after the date of this auditor's report.

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

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

When we read the Group's annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and will request that it is corrected. If it is not corrected, we will seek to have the matter appropriately brought to the attention of users for whom our report is prepared.

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

Auditor's responsibilities for the audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (http://www.auasb.gov.au/Home.aspx) at:

http://www.auasb.gov.au/auditors_files/ar2.pdf

This description forms part of our auditor's report.

3

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2017.

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

Responsibilities

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.

BDO East Coast Partnership

BDO

Gareth Few

Gareth Few
Partner

Sydney, 28 September 2017

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 2017.

a) Distribution of equity securities

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

	Ordinary shares	
	Number of holders	Number of shares
1 – 1,000	464	243,804
1,001 – 5,000	1,152	3,450,884
5,001 – 10,000	839	6,894,826
10,001 – 100,000	1,826	64,818,674
100,001 and over	592	474,279,656
	4,873	**549,687,844**
The number of shareholders holding less than a marketable parcel of shares are:	349	128,862

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	50,491,153	9.19
Pershing Australia Nominees Pty Ltd	25,910,353	4.71
Citicorp Nominees Pty Limited	20,708,779	3.77
BNP Paribas Nominees Pty Ltd	20,353,453	3.70
Mr Frank Poullas	14,267,500	2.60
HSBC Custody Nominees (Australia) Limited	13,515,540	2.46
Mr Matthew John Boysen	8,850,350	1.61
Mr Jurgen Behrens	8,300,000	1.51
J P Morgan Nominees Australia Limited	7,256,135	1.32
Mr Peter Sarantzouklis	5,992,183	1.09
Gibbs Plumbing Services Pty Ltd	5,580,000	1.02
Finmin Solutions Pty Ltd	5,555,714	1.01
Mr Marlon Pather	5,300,000	0.96
Miss Hazel Darcy	4,507,462	0.82
National Nominees Limited	3,851,675	0.70
Ms Ruie Yao	3,841,284	0.70
Boemi Investments Pty Ltd	3,511,742	0.64
Mr Emmanuel Poullas	3,486,993	0.63
Mr Mina Narouz	3,356,461	0.61
Mr John Peter Saunig	3,122,000	0.57
	217,758,777	**39.61**

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	50,491,153	9.19

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

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LIMITED

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