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MGT Resources Ltd.
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1st April 2016

Via email: Violetta.Codreanu@asx.com.au

Ms Violetta Codreanu

ASX Compliance Pty Ltd
20 Bridge Street
Sydney
NSW 2000

Dear Ms Codreanu,

**MGT RESOURCES LIMITED ('MGT')
HALF YEAR REPORT DECEMBER 2015**

In reference to your letter dated 24th March 2016 please find below the Company's responses to the questions posed by the ASX (numbered 1 to 7):

1. *ASX Question: Is the Company able to confirm that in the Director's opinion, the Financial Report:*
 - a) *Complies with the relevant Accounting Standards; and*
 - b) *Gives a true and fair view of the financial performance and financial position of the Company?*

Company Response:

The Directors of the Company confirm that in their opinion the financial report

- a) Complies with the relevant Accounting Standards; and
- b) Gives a true and fair view of the financial performance and financial position of the Company.



2. *ASX Question: Given the Disclaimer relates to the Auditor's inability to obtain sufficient appropriate audit evidence to determine whether the preparation of the Financial Report on a going concern basis is appropriate, what is the Company's rationale for deeming the going concern basis appropriate when preparing the Financial Report?*

Company Response:

MGT has already commenced restructuring its capital structure and in particular the conversion of \$6M in debt liabilities into equity with strategies in place for the balance of the Company's debt liabilities, as follows:

- a) Please refer to the ASX announcement made earlier today (1st April 2016) referring to the agreement of a term sheet for the conversion of the \$3,000,000 Cloud Adventurer Limited Convertible Notes and the \$3,000,000 Marvel Network Limited Convertible Notes into preference shares and options, subject to MGT shareholder approval at a general meeting to be held on or around 23rd June 2016.
- b) MGT has received written confirmation from Auskong International Mining Investment Co., Limited's of their intention to convert their \$1,500,000 Convertible Note due to expire on 16th June 2016, prior to the expiry date. To date, a definitive date for conversion has not yet been established and an announcement and updated Appendix 3B will be issued to the market upon conversion.

MGT also intends to raise further funds via a placement to Auskong International Mining Investment Co., Limited following approval by shareholders at a general meeting on or around the 23rd June 2016. The amount and price at which the placement will take place is still under consideration.

Armstrong Industries HK Limited has a \$1,500,000 Convertible Note due to expire on 11th November 2016. Should the share price be higher than 8.75 cents on expiry, the Convertible Note must be converted into equity. Should the share price be less than 8.75 cents then it is anticipated that the Convertible Notes will be redeemed. During the period to 11th November 2016, MGT intends to carefully monitor the share price, particularly in light of its new Uranium Strategy and substantial shareholding in Cauldron Energy Limited (ASX: CXU) (announced to the Market on 24th March 2016) and plans will be put in place, should it look like the Convertible Note may need to be redeemed. MGT may also seek to redeem this Convertible Note early, should it be opportune to do so.



Regarding the \$1,500,000 secured loan due to Taimetco International Co., Limited ('Taimetco') on 31st March 2017 (see ASX Announcement 31st March 2015), the Directors are considering a number of options in relation to this, including divesting certain assets, and will update the Market in due course when appropriate.

3. *ASX Question: We note the Company expects to be successful in obtaining further funding via a placement, conversion of debt to equity and the restructuring of certain convertible notes. Please provide an update on this.*

Company Response:

Please see response to Question 2 which covers this.

4. *ASX Question: What steps does the Company intend to take to address the going concern issues of the Company? The Company should specifically address how it intends to meet its liabilities and obligations as and when they fall due.*

Company Response:

Please see response to Question 2 which covers this.

5. *ASX Question: Does the Company consider that the financial condition of the Company is sufficient to warrant continued listing on ASX in accordance with the requirements of listing rule 12.2? In answering this question, please explain the basis for this conclusion.*

Company Response:

Yes, please see response to Question 2 which covers this. The Company also has a number of ongoing and active exploration projects, a substantial shareholding in CXU as per above, as well as future intended exploration projects related to its most recently announced Uranium Strategy.

6. *ASX Question: If the answer to question 4 is "No", please explain what steps the Company has taken, or proposes to take, to warrant continued listing on ASX in accordance with the requirements of listing rule 12.2.*

Company Response:

Not Applicable.



7. *ASX Question: Please confirm that the Company is in compliance with the listing rules and in particular, listing rule 3.1*

Company Response:

The Company confirms that the Company complies with the ASX Listing rules, in particular, listing rule 3.1

Yours sincerely,

Jacqueline Butler

A handwritten signature in grey ink, appearing to read 'J. Butler', is positioned above a horizontal line.

Company Secretary



24 March 2016

Ms Jacqueline Butler
Chief Financial Officer & Company Secretary
MGT Resources Limited
68 York Street
Sydney NSW 2000

By email

Dear Ms Butler

MGT Resources Limited (the "Company")

We refer to the Company's half year financial report for the half-year ended 31 December 2015 ("the Financial Report"), released to ASX Limited ("ASX") on 15 March 2016 in which the auditors report states:

"Basis for Disclaimer of Opinion

The group has convertible notes with faces values of \$1,500,000 maturing in June 2016, \$6,000,000 maturing in August 2016, and \$1,500,000 maturing in November 2016. In addition a secured loan to Taimetco International Co Limited ("Taimetco") is due in February 2017 of \$1,500,000. The Directors have continued a process of debt restructuring and as at the date of signing of the financial report have been provided with various undertakings from the noteholders. Should these undertakings be executed, subject to shareholder and regulatory approval, they will effect settlement of \$7,500,000 of the outstanding convertible notes buy way of conversion to ordinary shares (\$1,500,000) and preference shares with attached options (\$6,000,000). The remaining \$1,500,000 of convertible note matures in November 2016.

There is significant uncertainty in relation to capacity to repay the Taimetco secured loan due in February 2017 as are currently no proposals in relation to repayment or renegotiation of the loan. In addition to repaying the remaining convertible notes when they fall due, there is significant uncertainty that without further injection of new equity or debt financing the group will be unable to fulfil proposed drilling programs and meet tenement expenditure commitments.

The group had a net current liability of \$7,980,729 (June 2015: \$381,107) as at 31 December 2015 and incurred a net loss of \$2,985,254 (December 2014: \$5,421,027) for the financial half year then ended. Notwithstanding its restructure of debt instruments, the group has been unable to obtain further injections of debt or equity to support its going concern basis for preparation of the financial report for the half year ended 31 December 2015. We have been unable to obtain alternative evidence which would provide sufficient appropriate audit evidence as to whether the group may be able to obtain such financing, and hence remove significant doubt of its ability to continue as a going concern within 12 months of the date of this report.



The Directors have set out their reasons for believing the group is a going concern in Note 2 to the financial report. We have been unable to obtain sufficient appropriate audit evidence as to whether the group may be able to obtain financing to meet remaining convertible note repayments, Taimetco secured loan and drilling and exploration expenditure obligations, and hence remove significant doubt of its ability to continue as a going concern within 12 months of the date of this auditor's report.

Disclaimer of Opinion

Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the financial report."

Relevant listing rules and guidance

We also refer to the following:

- Listing rule 3.1, which requires an entity, once it becomes aware of any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities, to immediately tell ASX that information.
- Listing rule 12.2, which states that an entity's financial condition (including operating results) must, in ASX's opinion, be adequate to warrant the continued quotation of its securities and its continued listing.
- Listing Rule 19.11A, which requires accounts given to ASX under the requirements of the listing rules, to be prepared to Australian accounting standards and if the entity is a foreign entity the accounts may be prepared to other standards agreed by ASX.

Questions for response

In light of the information contained in the Financial Report and having regard to the listing rules referred to above, please respond to the following questions:

1. Is the Company able to confirm that in the Directors' opinion, the Financial Report:
 - (a) complies with Accounting Standards; and
 - (b) gives a true and fair view of the financial performance and financial position of the Company?
2. Given the Disclaimer Opinion relates to the Auditor's inability to obtain sufficient appropriate audit evidence to determine whether the preparation of the Financial Report on a going concern basis is appropriate, what is the Company's rationale for deeming the going concern basis appropriate when preparing the Financial Report?



3. We note the Company expects to be successful in obtaining further funding via a placement, conversion of debt to equity and the restructuring of certain convertible notes. Please provide an update on this.
4. What steps does the Company intend to take to address the going concern issues of the Company? The Company should specifically address how it intends to meet its liabilities and obligations as and when they fall due.
5. Does the Company consider that the financial condition of the Company is sufficient to warrant continued listing on ASX in accordance with the requirements of listing rule 12.2? In answering this question, please explain the basis for this conclusion.
6. If the answer to question 5 is “No”, please explain what steps the Company has taken, or proposes to take, to warrant continued listing on ASX in accordance with the requirements of listing rule 12.2.
7. Please confirm that the Company is in compliance with the listing rules and, in particular, listing rule 3.1.

Your response should be sent to me by return e-mail. It should not be sent to the Company Announcements Office.

Unless the information is required immediately under listing rule 3.1, a response is requested as soon as possible and, in any event, no later than **9.30am AEST on Monday, 4 April 2016**.

Please note that ASX reserves the right, under listing rule 18.7A, to release this letter and the Company's response to the market. Accordingly, please prepare your response in a form suitable for release to the market.

If you have any queries regarding any of the above, please call me.

Yours sincerely

[Sent electronically without signature]

Violetta Codreanu
Adviser, Listings Compliance (Sydney)