

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR
IMMEDIATE ATTENTION**

THE MATTERS RAISED IN THIS DOCUMENT WILL AFFECT YOUR SHAREHOLDING IN THE COMPANY. YOU ARE ADVISED TO READ THIS DOCUMENT IN ITS ENTIRETY BEFORE ATTENDING THE ANNUAL GENERAL MEETING WHICH HAS BEEN CONVENED BY AND IS REFERRED TO IN THIS DOCUMENT.

All numbers of shares and other equity securities are presented in this document on a pre-consolidated basis. Please refer to Appendix 3 for a summary of the share capital structure on a post-consolidation basis if resolution 7 is approved by shareholders.

IF YOU ARE IN ANY DOUBT ABOUT THE ACTION YOU SHOULD TAKE, PLEASE CONSULT YOUR STOCKBROKER, SOLICITOR, ACCOUNTANT, FINANCIAL OR OTHER APPROPRIATE PROFESSIONAL ADVISER.

MGT RESOURCES LIMITED
ACN 131 715 645

NOTICE OF ANNUAL GENERAL MEETING

and Related Information including

EXPLANATORY MEMORANDUM

THIS DOCUMENT COMPRISES A NOTICE OF ANNUAL GENERAL MEETING OF MGT RESOURCES LIMITED TO BE HELD AT MAZARS AUSTRALIA OFFICES, LEVEL 12, 90 ARTHUR STREET, NORTH SYDNEY, NEW SOUTH WALES, 2060 AT 11.00AM (AEDT) ON THE 30TH DAY OF NOVEMBER 2016. INCLUDED IN THIS DOCUMENTATION IS AN EXPLANATORY MEMORANDUM. NOTE THAT IN ORDER FOR ANY PROXIES TO BE VALID FOR USE AT THIS ANNUAL GENERAL MEETING THESE PROXIES MUST BE COMPLETED AND RETURNED TO COMPUTERSHARE INVESTOR SERVICES PTY LIMITED NO LATER THAN 11AM (AEDT) ON THE 28TH DAY OF NOVEMBER 2016.

Table of Contents

PART 1	ABOUT THESE DOCUMENTS	4
PART 2	LETTER FROM THE COMPANY	5
PART 3	NOTICE OF ANNUAL GENERAL MEETING	6
PART 4	NOTICE REQUIREMENTS FOR RESOLUTIONS.....	10
PART 5	EXPLANATORY MEMORANDUM.....	11
	SECTION 1: INTRODUCTION	11
	SECTION 2 - EXPLANATION OF PROPOSED RESOLUTIONS	11
PART 6	GLOSSARY OF TERMS	25

PART 1 ABOUT THESE DOCUMENTS

Shareholders in MGT Resources Limited ACN 131 715 645 (the **Company**) are being asked to consider the Resolutions set out in this Notice and the Explanatory Memorandum contained in these documents in connection with the transactions referred to in the Explanatory Memorandum.

You can vote by:

- (a) attending and voting at the Meeting; or
- (b) appointing someone as your proxy to attend and vote at the Meeting on your behalf, by completing and returning the Proxy Form in the manner set out on the Proxy Form. Part 7 of this document package comprises the Proxy Forms and the manner in which the Proxy Forms are to be completed is specified in Part 7. For the Proxy Form to be valid and therefore used at the meeting in accordance with your directions it is important that you properly follow the directions set out in the Proxy Forms.

Please read the whole of the document carefully and determine how you wish to vote. Once you have decided how you wish to cast your vote complete the Proxy Forms and forward them to Computershare as required or attend in person to vote on the relevant resolutions.

PART 2 LETTER FROM THE COMPANY

28 October 2016

Dear Shareholder

On behalf of the Board, I am inviting you to attend the Annual General Meeting of MGT Resources Limited (MGT or the Company) which has been convened on 30th November 2016 to:

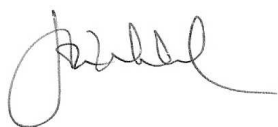
- table the financial statements and reports of the Company for the financial year ended 30 June 2016;
- vote on the re-election of Directors;
- approval of additional 10% placement capacity; and
- ratify the past re-issue of Unsecured Convertible Notes to Armstrong Industries HK Limited
- ratify the past issue of an Unsecured Convertible Note to Joseph Capital (Hong Kong) Limited
- approval of the share capital of MGT Resources Limited to be consolidated on a 1 for 10 basis.

Directors Jonathan Back and Li Hai Jun retire in accordance with the Company Constitution and make themselves available for re-election.

A complete explanation of all resolutions can be found the Explanatory Memorandum in Part 5 of this document.

Your vote is important and as a Board we encourage you to either attend the Meeting in person or complete the Proxy Form accompanying the Notice of Annual General Meeting and return it in accordance with the directions provided.

Yours sincerely



Jonathan Back
Executive Chairman

PART 3 NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of MGT Resources Limited **ACN 131 715 645** (the **Company**) will be held at Mazars Australia Offices, Level 12, 90 Arthur Street, North Sydney, NSW, 2060 on the 30th day of November 2016 at 11.00am (AEDT).

Definitions

Unless expressly otherwise provided, each capitalised term used in this Notice has the same meaning as is ascribed to it in Part 6 - Glossary of Terms.

ORDINARY BUSINESS

1. Financial Reports

To receive and consider the Financial Reports of the Company including the balance sheet and profit and loss account and statements of cash flows of the Company, the consolidated financial statement, the directors' declaration and the reports of the Directors and auditors for the financial year ended 30 June 2016.

Note: The Financial Report, Directors' Report and Auditor's Report for the Company for the year ended 30 June 2016 will be laid before the meeting. There is no requirement for Shareholders to approve those reports. Shareholders will be given an opportunity to raise questions of the Directors and the Company's auditor on the Accounts at the Annual General Meeting.

2. Resolution 1: Adoption of Remuneration Report

To consider and, if thought fit, to pass, with or without amendment, the following Resolution as an **ordinary** resolution:

"That the Remuneration Report for the year ended 30 June 2016 included in the Directors' Report, which is attached to the Financial Statements as required under section 300A of the Corporations Act, be adopted by the Company."

Note: The Remuneration Report is set out on pages 25-31 of the 2016 Annual Report. In accordance with section 250R(3) of the Corporations Act, the votes cast in respect of this Resolution are advisory only and do not bind the Company.

3. Resolution 2: Re-election of Jonathan Back

To consider and, if thought fit, to pass, with or without amendment, the following Resolution as an **ordinary** resolution:

"That Jonathan Back, having retired from his office as a Director in accordance with Rule 20.2 of the constitution of the Company and, being eligible, having offered himself for re-election, be re-elected as a Director."

4. Resolution 3: Re-election of Li Hai Jun

To consider and, if thought fit, to pass, with or without amendment, the following Resolution as an **ordinary** resolution:

"That Li Hai Jun, having retired from his office as a Director in accordance with Rule 20.2 of the constitution of the Company and, being eligible, having offered himself for re-election, be re-elected as a Director."

5. Resolution 4: Approval of additional 10% placement capacity

To consider, and if thought fit, to pass the following resolution as a **special** resolution:

“That for the purposes of ASX Listing Rule 7.1A and for all other purposes, the issue of up to 10% of the Company’s share capital calculated in accordance with Listing Rules 7.1A, and on the terms and conditions set out in the Explanatory Statement, is approved.”

6. Resolution 5: Ratify past re-issue of 1,500,000 Unsecured Convertible Notes to Armstrong Industries HK Limited

To consider and, if thought fit, pass the following as an ordinary resolution:

“That, for the purposes of ASX Listing Rule 7.4 and all other purposes, Shareholders ratify the past re-issue of 1,500,000 Unsecured Convertible Notes to Armstrong Industries HK Limited on 15 September 2016 for a subscription amount of \$1,500,000 and the issue of up to a maximum number of 17,142,858 Shares upon all or any part of those Unsecured Convertible Notes being converted, on the terms described within the Explanatory Memorandum.

7. Resolution 6: Ratify past issue of 1 Unsecured Convertible Note to Joseph Capital (Hong Kong) Limited

To consider and, if thought fit, pass the following as an ordinary resolution:

“That, for the purposes of ASX Listing Rule 7.4 and all other purposes, Shareholders ratify the past issue of 1 Unsecured Convertible Note to Joseph Capital (Hong Kong) Limited on 19 October 2016 for a subscription amount of \$500,000 and the issue of up to a maximum number of 15,151,515 Shares upon all or any part of those Unsecured Convertible Notes being converted, on the terms described within the Explanatory Memorandum.

8. Resolution 7: Consolidation of Share Capital

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an ordinary resolution:

“That, for the purposes of Section 254H of the Corporations Act and the Company’s Constitution and for all other purposes, with effect from 5 December 2016 (or such other date that is notified to the ASX by the Company), approval is given for the Company to consolidate its issued capital on the basis that:

- a) the then issued capital of the Company be consolidated on the basis that every ten (10) fully paid Shares in the capital of the Company be consolidated into (1) fully paid ordinary Share;
- b) the Options on issue be reorganised in accordance with Listing Rule 7.22;
- c) the Convertible Notes on issue be reorganised in accordance with Listing Rule 7.21;
- d) the Preference Shares on issue be reorganised in accordance with Listing Rule 7.20; and
- e) where the number of Shares, Options or Convertible Notes held by a member of the Company as a result of the consolidation effected by paragraphs (a),(b),(c) and (d) of this Resolution includes any fraction of a Share, Option or Convertible Note, that fraction be cancelled and extinguished”

9. Voting Exclusions

In accordance with the ASX Listing Rules, the Company will disregard any votes on the respective Resolutions cast by or on behalf of the following persons and their associates:

9.1 Resolution 1

The Corporations Act prohibits any votes being cast on Resolution 1 by or on behalf of a person who is disclosed in the Remuneration Report as a member of the Key Management Personnel of the Company (including the Directors and the Chairman) or a Closely Related Party of that key management personnel. However, such a person may cast a vote on Resolution 1 as a proxy for a person who is permitted to vote and the appointment of the proxy specifies the way the proxy is to vote on the resolution.

9.2 Resolution 2 & 3

There are no voting exclusions in relation to Resolution 2 & 3.

9.3 Resolution 4

The Company will disregard any votes cast on Resolution 4 by any person who may participate in the proposed issue or any person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary shares, and any associate of such person.

However, the Company need not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (b) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

9.4 Resolution 5

The Company will disregard any votes cast on Resolution 5 by any person who participated in the issue, and any associate of such person. Accordingly, the Company will disregard any votes cast on Resolution 5 by Armstrong Industries HK Limited.

However, the Company need not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (b) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

9.5 Resolution 6

The Company will disregard any votes cast on Resolution 6 by any person who participated in the issue, and any associate of such person. Accordingly, the Company will disregard any votes cast on Resolution 6 by Joseph Capital (Hong Kong) Limited.

However, the Company need not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or

- (b) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

9.6 **Resolution 7**

There are no voting exclusions in relation to Resolution 7.

Important information concerning proxy votes on Remuneration related Resolutions

Section 250R(4) of the Corporations Act prohibits Key Management Personnel and their Closely Related Parties from voting on resolutions connected directly or indirectly with the remuneration of a member of Key Management Personnel.

However, a member of the Company's Key Management Personnel, or a Closely Related Party of such a member, may cast a vote on Resolution 1 if:

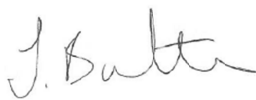
- they do so as a proxy appointed in writing that specifies how the proxy is to vote on the proposed Resolution; and
- the vote is not cast on behalf of a member of Key Management Personnel, or a Closely Related Party.

If you appoint the Chairman as your proxy (whether intentionally or by default) you can direct the Chairman of the Meeting to vote for, against or abstain from voting on Resolutions 2 to 4 by marking the appropriate box on the proxy form, under the heading 'Voting on Business of the Meeting'.

If you appoint the Chairman as your proxy (whether intentionally or by default) and do not direct the Chairman how to vote in respect of Resolution 1, then the Chairman may not cast your votes in relation to Resolution 1. To avoid this, mark the relevant box on the proxy form authorising the Chairman to cast undirected proxies in favour of Resolution 1. This express authorisation contained in your proxy form acknowledges that the Chairman may vote your proxy in favour of Resolutions 1 even though it is connected directly or indirectly with the remuneration of a member of the Key Management Personnel for the Company, which includes the Executive Chairman.

Dated: 28 October 2016

By order of the Board



Jacqueline Butler
Company Secretary

PART 4 NOTICE REQUIREMENTS FOR RESOLUTIONS

Resolutions being put to shareholders require 28 days (plus 3 days mailing) prior notice to shareholders to be given in this Notice of Annual General Meeting and such notice constitutes sufficient notice for the purposes of the *Corporations Act* and ASX Listing Rules.

PART 5 EXPLANATORY MEMORANDUM

Section 1: Introduction

1.1 Background

The information in this Explanatory Memorandum is provided to shareholders in respect of the various matters, including corporate actions, transactions and requirements of the *Corporations Act* that are submitted to shareholders for their approval in compliance with various regulatory and statutory requirements.

1.2 Action required by Shareholders

The information contained in this documentation is important in deciding how shareholders should vote on the Resolutions. Shareholders should read all of the documents carefully and in their entirety. If you do not understand any part of the documentation or are in any doubt as to the course of action you should follow you should contact your legal, financial or other professional adviser immediately.

1.3 Vote on Resolutions

You are encouraged to attend and vote at the Meeting. If you are unable to do so or do not wish to attend the Directors urge you to use your vote by completing and returning the enclosed Proxy Form as directed - see Part 7.

SPECIAL BUSINESS

Section 2 - Explanation of Proposed Resolutions

2.1 Accounts and reports

The Financial Report, Directors' Report and Auditor's Report for the Company for the year ended 30 June 2016 will be laid before the meeting. There is no requirement for Shareholders to approve those reports. Shareholders will be given an opportunity to raise questions of the Directors and the Company's auditor on the Accounts at the Annual General Meeting.

Resolution 1 - Remuneration Report

1.1 Background

Resolution 1 is proposed for the adoption of the Remuneration Report contained in the Directors' Report referred to in the first item of the agenda set out in the Notice. Under the Corporations Act, the Company is required to present its Remuneration Report to Shareholders for adoption at its Annual General Meeting. The Remuneration Report of the Company for the financial year ended 30 June 2016 is set out in the Directors' Report on pages 25-31 of the 2016 Annual Report.

The Statutory Accounts and Annual Report may be accessed at <http://www.mgt.net.au/> or on the ASX company announcements platform using the ASX code: MGS. A copy may also be obtained by contacting the Company Secretary on (02) 9262 1122. Shareholders will be given ample opportunity to raise questions of the Directors on the Remuneration Report prior to the

Resolution being put to Shareholders. The Resolution to adopt the Remuneration Report is a non-binding Resolution on the Company and its Directors.

However, if at least 25% of the votes cast are against the adoption of the Remuneration Report, the Company's next Remuneration Report must explain the Board's proposed action in response or explain why no action has been taken.

In the following year, if at least 25% of the votes cast on the resolution that the Remuneration Report be adopted are against adoption, Shareholders will then vote to determine whether the Directors will need to stand for re-election. If more than 50% of the votes cast on the resolution are in favour, a separate re-election meeting must be held within 90 days.

1.2 Recommendation of the Directors

Each of the Directors recommend that Shareholders vote for Resolution 1.

Resolution 2 - Re-election of Director

2.1. Background

Resolution 2 relates to the re-election of **Jonathan Back** as a Director of the Company. Under Rule 20.2 of the constitution of the Company, one-third of the Company's Directors must retire and, if eligible, may be re-elected.

Jonathan Back must retire from his office as Director in accordance with Rule 20.2 and, being eligible, offers himself for re-election.

2.2 Information about Jonathan Back, Executive Chairman

Mr Jonathan Back is a qualified solicitor in England and Wales. Prior to working as a lawyer, Jonathan graduated from Oxford University and was awarded the Vinerian Scholarship for the best performance in the Bachelor of Civil Laws degree.

Jonathan has over 18 years of experience in law and finance internationally, having spent significant periods in Europe, Hong Kong and Australia.

Jonathan first worked as a lawyer for the leading UK firm Linklaters for 4 years, specialising in large project finance transactions. This included the acquisition of the Gladstone Power Station in Queensland by a consortium expanding the Boyne Island aluminium smelter. Jonathan then worked for Schroders in the UK and in Hong Kong where he also focused on large infrastructure and energy projects including large power station projects in Portugal and the UK as well as port and energy projects across Australia and Asia.

Following this Jonathan worked with Goldman Sachs in Hong Kong focusing on raising equity capital for telecoms and technology companies. Jonathan was then recruited by JPMorgan to join their equity team in Hong Kong, which he ran until 2007. During this time he worked on numerous transactions across different industries.

2.3 Recommendation of the Directors

Each of the Directors recommend that Shareholders vote for Resolution 2.

Resolution 3 - Re-election of Director

3.1. Background

Resolution 3 relates to the re-election of **Li Hai Jun** as a Director of the Company. Under Rule 20.2 of the constitution of the Company, one-third of the Company's Directors must retire and, if eligible, may be re-elected.

Li Hai Jun must retire from his office as Director in accordance with Rule 20.2 and, being eligible, offers himself for re-election.

3.2 Information about Li Hai Jun, Non-Executive Director

Mr Li Hai Jun holds a Bachelor of Mechanical Engineering degree from the Beijing Architecture Engineering University, China. He has worked for one of the biggest state owned companies which have imported plant and equipment for more than 280 projects for the nation in the iron & steel sector and other industrial sectors. Since 1989 Hai Jun has worked for a subsidiary company under Thyssen in Germany and then moved to Singapore to work as the Managing Director of Golden Mall Enterprise until 1999.

Hai Jun has rich experience in connecting foreign companies with Chinese enterprises and has been involved in more than 30 big projects with success.

In recent years Hai Jun has assisted Australian resources companies in establishing relationships with customers in China leading to a number of successful projects.

3.3 Recommendation of the Directors

Each of the Directors recommend that Shareholders vote for Resolution 3.

4 Resolution 4 - Approval of additional 10% placement capacity

4.1. Background

Under Resolution 4, the Company is seeking shareholder approval to create an ability to issue up to an additional 10% of the issued share capital of the Company under ASX Listing Rule 7.1A (**10% Placement**). Resolution 4 is a special resolution and requires approval of 75% of the votes cast by Shareholders present and eligible to vote. The only securities that the 10% Placement can cover are existing quoted securities, namely ordinary fully paid Shares.

4.2. Eligibility criteria

Under Listing Rule 7.1A, an eligible listed entity may, subject to shareholder approval by way of special resolution, issue Shares comprising up to 10% of its issued share capital in addition to the normal 15% new issue capacity under Listing Rule 7.1. An eligible entity for the purposes of Listing Rule 7.1A is an entity that is not included in the S&P/ASX 300 Index and has a market capitalisation of \$300 million or less. The Company is an eligible entity.

4.3. Placement capacity under Listing Rule 7.1 and 7.1A

The 10% Placement is in addition to a listed entity's usual 15% placement capacity under Listing Rule 7.1.

As at the date of finalisation of this Notice of Meeting, the Company has 483,066,131 Shares on issue and therefore, in addition to any other Shares which it can issue under the permitted exceptions to Listing Rules 7.1 and 7.1A, it has the capacity to issue:

- 72,459,920 Shares under Listing Rule 7.1; and
- subject to shareholder approval being obtained under Resolution 4, 48,306,613 Shares under Listing Rule 7.1A.

The actual number of Shares that the Company will have capacity to issue under Listing Rule 7.1A will be calculated at the date of issue of the Shares in accordance with the formula in Listing Rule 7.1A.2.

4.4 Minimum issue price

In accordance with Listing Rule 7.1A.3, Shares issued by the Company under a 10% Placement can only be issued at a price that is not less than 75% of the volume weighted average price (**VWAP**) of the Shares calculated over the 15 trading days on which trades in its Shares were recorded immediately before:

- the date on which the issue price of the Shares is agreed; or
- the issue date (if the Shares are not issued within five trading days of the date on which the issue price is agreed).

4.5 Placement period

Shareholder approval under Listing Rule 7.1A is valid from the date of this AGM until the earlier to occur of:

- 12 months after the date of the AGM; and
 - the date of approval by Shareholders of a transaction under Listing Rule 11.1.2 (a significant change to the nature or scale of activities) or Listing Rule 11.2 (disposal of main undertaking),
- or such longer period if allowed by ASX.

The approval under the Listing rule 7.1A will cease to be valid in the event that shareholders approve a transaction under Listing rules 11.1.2 or 11.2.

Shareholder approval under Listing Rule 7.1A does not lapse if the Company's market capitalisation subsequently exceeds \$300 million or if it is included in the S&P/ASX 300 Index at some time during that period provided that the Company meets those criteria on the date of the AGM.

4.6 Dilution to existing shareholdings

If Resolution 4 is approved by Shareholders and the Company issues Shares under the 10% Placement, there is a risk of economic and voting dilution to existing Shareholders as a result. Further, as the market price of the Company's Shares may be significantly lower on the issue date than on the date of AGM approval, and because the Shares may be issued at a price that is at a discount to the market price on the issue date, there is a risk that the 10% Placement may raise less funding than it would based on current market prices.

As required by Listing Rule 7.3A.2, the table below shows a number of hypothetical scenarios for a 10% Placement where variable "A" in the formula in Listing Rule 7.1A.2 (representing the Company's share capital) has increased by either 50% or 100%, and the share price has decreased by 50% or increased by 100% from the approximate share price as at the date of finalisation of this Notice of Meeting.

Dilution Table

Share Capital (Variable 'A' in Listing Rule 7.1A.2)		Dilution Table		
		\$0.0125 50% decrease in Issue Price	\$0.025 Issue Price	\$0.050 100% increase in Issue Price
Current	Number of Shares	48,306,613	48,306,613	48,306,613
483,066,131 Shares	Funds raised	\$603,833	\$1,207,665	\$2,415,331
50% increase	Number of Shares	72,459,920	72,459,920	72,459,920
724,599,197 Shares	Funds raised	\$905,749	\$1,811,498	\$3,622,996
100% increase	Number of Shares	96,613,226	96,613,226	96,613,226
966,132,262 Shares	Funds raised	\$1,207,665	\$2,415,331	\$4,830,661

The dilution table has been prepared on the following hypothetical assumptions. The Company does not represent that they will necessarily occur:

- (a) the Company issues the maximum number of Shares available under the 10% Placement;
- (b) any increase in Variable A (being the issued share capital at the time of issue) is due to an issue of Shares which is an exception in Listing Rule 7.2, for example a pro-rata rights issue. However, a 15% placement under Listing Rule 7.1 does not increase variable "A" for the purposes of calculating the placement capacity under Listing Rule 7.1A;
- (c) the table shows only the effect of issues of Shares under Listing Rule 7.1A, not under the 15% placement capacity under Listing Rule 7.1;
- (d) the table does not show the dilution that may be caused to any particular Shareholder by reason of placements under Listing Rule 7.1A, based on that Shareholder's holding at the date of the AGM. For instance, Shareholders will have different outcomes depending on whether or not they participate in a pro-rata issue which has the effect of increasing variable "A";
- (e) the Issue Price is assumed to be \$0.025, being the approximate Share price on 29 September 2016 immediately prior to finalising this Notice of Meeting.

4.7 Purpose of the 10% Placement

The Company may seek to issue Shares under the 10% Placement for either:

- a cash issue price. In this case, the Company may use the funds for working capital or for other corporate purposes; or
- non-cash consideration, such as for the acquisition of new assets or investments, subject to any applicable ASX requirements.

In either case, the cash issue price or the value of the non-cash consideration must comply with the minimum issue price noted above.

4.8 Allocation policy

The Company's allocation policy is dependent on the prevailing market conditions at the time of any proposed issue under the 10% Placement. The identity of the allottees under the 10% Placement will be determined on a case by case basis having regard to the factors including the following:

- the methods of raising funds that are available to the Company, including a rights issue or other issue in which existing shareholders can participate;
- the effect of the issue of the Shares on the control of the Company;

- the financial situation and solvency of the Company; and
- advice from corporate, financial and broking advisors (if applicable).

The allottees under the 10% Placement have not been determined as at the date of finalisation of this Notice of Meeting and may include existing substantial Shareholders and/or new Shareholders, but the allottees cannot include any directors, related parties or associates of a related party of the Company without a further specific shareholder approval.

4.9 Voting exclusion

A voting exclusion statement is included in the Notice of Meeting. At the date of finalisation of the notice, the Company has not approached any particular existing Shareholder or an identifiable class of existing Shareholders to participate in the issue of the Shares. No existing Shareholder's vote will therefore be excluded under the voting exclusion in the Notice of Meeting.

4.10 Previous approval

- (a) The Company previously obtained Shareholder approval under Listing Rule 7.1A at the Annual General Meeting held on 18 November 2015.
- (b) In the 12 months preceding the date of this Notice, the Company issued a total of 436,108,062 Equity Securities which represent 127% of the total number of Equity Securities on issue at 30th November 2016. The Equity Securities issued in the preceding 12 months were as follows:

Date of Issue	Number of Ordinary Shares	Number of Unlisted Options	Number of other securities	Amount raised and use of funds or non-cash consideration and current value of that non-cash consideration	Name of person issued to, or basis of issue	Price per security
26 Nov 2015	24,000,000	-	-	\$1,200,000 raised on conversion of 24,000,000 options into shares. Used for working capital purposes and debt repayment obligations.	Ordinary shares issued to Auskong International Mining Investment Co., Limited.	5 cents per option. There was no discount applied to the issue of shares.
9 Jun 2016	50,000,000	-	-	\$1,500,000 unquoted unsecured convertible notes converted into 50,000,000 ordinary shares at 3 cents per note as approved by shareholders at a general meeting on 16 th February 2015.	Ordinary shares issued to Auskong International Mining Investment Co., Limited.	3 cents per note. There was no discount applied to the issue of shares.
30 June 2016	60,606,061	-	-	\$2,000,000 unquoted unsecured convertible notes converted into 60,606,061 ordinary shares at 3.3 cents per note as approved by shareholders at a general meeting on 30 th June 2016.	Ordinary shares issued to Auskong International Mining Investment Co., Limited.	3.3 cents per note. There was no discount applied to the issue of shares.
19 July 2016	30,303,030	-	-	\$1,000,000 raised, used for working capital purposes and debt repayment obligations.	Joseph Capital (Hong Kong) Limited	3.3 cents per share. There was no discount applied to the issue of shares.

15 September 2016	-	-	1,500,000 convertible notes with a face value of \$1,500,000	The funds originally raised in 2011 by the issue of the Unsecured Convertible Notes were used to provide working capital	Armstrong Industries HK Limited	See Annexure 1
16 September 2016	-	36,363,637 unlisted options	90,909,091 unlisted preference shares	\$3,000,000 unsecured convertible notes held by Cloud Adventurer Limited converted into 36,363,637 unlisted options and 90,909,091 unlisted preference shares.	Cloud Adventurer Limited	3.3 cents per unlisted preference share. Unlisted options exercisable at \$0.001 per Share.
16 September 2016	-	36,363,637 unlisted options	90,909,091 unlisted preference shares	\$3,000,000 unsecured convertible notes held by Marvel Network Limited converted into 36,363,637 unlisted options and 90,909,091 unlisted preference shares.	Marvel Network Limited	3.3 cents per unlisted preference share. Unlisted options exercisable at \$0.001 per Share.
19 October 2016	-	-	1 convertible note with a face value of \$500,000	The \$500,000 raised is to be used principally to fund the working capital requirements for MGT Resources Limited's proposed acquisition of 30% of the Manyingee Mining Leases from Paladin Energy Limited (see Announcement dated 21 July 2016)	Joseph Capital (Hong Kong) Limited	See Annexure 2

4.11 Recommendation

As at the date of finalisation of these Explanatory Notes, the Company is seeking this form of available shareholder approval to enable a capital raising to be implemented if appropriate during the following year. Accordingly, shareholder approval of Resolution 4 is considered to be a prudent approach.

The Directors believe that Resolution 4 will provide the Company with flexibility to raise capital quickly if advantageous terms are available, and is in the best interests of the Company. The Directors recommend that Shareholders vote in favour of this Resolution.

5 Resolution 5 - Re-Issue of Convertible Notes

5.1 Background

Resolution 5 seeks Shareholder ratification of the re-issue of a total of 1,500,000 Unsecured Convertible Notes to Armstrong Industries HK Limited on 15 September 2016 for a subscription of \$1,500,000 for the purposes of ASX Listing Rule 7.4 and for all other purposes.

In 2011 the Company signed an Unsecured Convertible Note Deed with Armstrong Industries HK Limited dated 11 November 2011, whereby Armstrong Industries HK Limited advanced \$1,500,000 to the Company by way of subscription for 10,000,000 unsecured redeemable convertible notes for the purposes of funding the Company's working capital requirements. Under the original terms of the Unsecured Convertible Note Deed, Armstrong Industries HK Limited had the right to convert all or some of its notes prior to 11 November 2013 at a conversion price of \$0.15 per Note. In the event the Share Price was not \$0.15 or higher on 11 November 2013, the Company was required to return the \$1,500,000 loan to Armstrong.

At the Annual General Meeting on 7 November 2013, Shareholders approved the re-issue of the Unsecured Convertible Note with a subscription amount of \$1,500,000 which rolled over the original Unsecured Convertible Note Deed for a further 3 years until 11 November 2016. Shareholders approved a change in the conversion price of the Unsecured Convertible Note to \$0.0875 per Note.

Resolution 5 seeks shareholder ratification of the second re-issue of the Unsecured Convertible Note with a subscription amount of \$1,500,000 on 15 September 2016 which in essence again rolls over the original Unsecured Convertible Note Deed for up to a further 12 months and at an increased interest rate of 15% per annum on and from 12 November 2016.

A summary of the principal terms of the Unsecured Convertible Notes is attached as Annexure 1 to this Explanatory Memorandum.

ASX Listing Rule 7.1 provides that a listed company may not issue equity securities in any 12 month period where the total number of equity securities or other securities with rights of conversion to equity (such as convertible notes) to be issued exceeds 15% of the number of fully paid ordinary securities on issue 12 months before the date of issue, except where an exception applies or with the prior approval of members of the company in a general meeting of the terms and conditions of the proposed issue.

ASX Listing Rule 7.4 allows for subsequent shareholder approval if the Company did not breach ASX Listing Rule 7.1 at the time of issue and the holders of ordinary shares subsequently approve it.

Although Shareholder approval was not required for the issue of Unsecured Convertible Notes to Armstrong Industries HK Limited, the Company now seeks Shareholder approval for this issue in the manner provided by ASX Listing Rule 7.4, because this will enable the Company to issue, pursuant to ASX Listing Rule 7.1, further equity securities up to the 15% limit from time to time as required by the Company, to capitalise on future opportunities without needing to obtain prior Shareholder approval.

Per ASX Listing Rule 7.5, the following information is provided:

ASX Listing Rule 7.5.1: The number of securities issued

The Company re-issued 1,500,000 Unsecured Convertible Notes with an issue price of \$1.00 each to Armstrong Industries HK Limited which are convertible into Shares. The maximum number of Shares that may be issued upon conversion will be 17,142,858 Shares (on a pre-consolidated basis).

ASX Listing Rule 7.5.2: Price at which securities were issued

The issue price of the Unsecured Convertible Notes is \$1.00 per Unsecured Convertible Note.

The issue price of the underlying Shares is \$0.0875 per Share (on a pre-consolidated basis).

ASX Listing Rule 7.5.3: Terms of the securities

A summary of the principal terms of the Unsecured Convertible Notes is attached in Annexure 1 to this Explanatory Memorandum.

Shares issued on the conversion of the Unsecured Convertible Notes will have the same terms and rank equally in all respects with existing Shares in the Company.

ASX Listing Rule 7.5.4: Name of the person to whom the Company issued the securities

Armstrong Industries HK Limited.

ASX Listing Rule 7.5.5: Intended use of the funds raised

The funds originally raised in 2011 by the issue of the Unsecured Convertible Notes were used to provide working capital.

ASX Listing Rule 7.5.6: Voting exclusion statement

The voting exclusion statement in relation to Resolution 5 can be found in Part 3 of this Notice.

The Board unanimously recommends that Shareholders vote in favour of Resolution 5

6 Resolution 6 - Issue of Convertible Notes

6.1 Background

Resolution 6 seeks Shareholder ratification of the issue of a total of 1 Unsecured Convertible Note issued to Joseph Capital (Hong Kong) Limited on 19 October 2016 for a subscription of \$500,000 for the purposes of ASX Listing Rule 7.4 and for all other purposes.

A summary of the principal terms of the Unsecured Convertible Note is attached as Annexure 2 to this Explanatory Memorandum.

ASX Listing Rule 7.1 provides that a listed company may not issue equity securities in any 12 month period where the total number of equity securities or other securities with rights of conversion to equity (such as convertible notes) to be issued exceeds 15% of the number of fully paid ordinary securities on issue 12 months before the date of issue, except where an exception applies or with the prior approval of members of the company in a general meeting of the terms and conditions of the proposed issue.

ASX Listing Rule 7.4 allows for subsequent shareholder approval if the Company did not breach ASX Listing Rule 7.1 at the time of issue and the holders of ordinary shares subsequently approve it.

Although Shareholder approval was not required for the issue of 1 Unsecured Convertible Note to Joseph Capital (Hong Kong) Limited, the Company now seeks Shareholder approval for this issue in the manner provided by ASX Listing Rule 7.4, because this will enable the Company to issue, pursuant to ASX Listing Rule 7.1, further equity securities up to the 15% limit from time to time as required by the Company, to capitalise on future opportunities without needing to obtain prior Shareholder approval.

Per ASX Listing Rule 7.5, the following information is provided:

ASX Listing Rule 7.5.1: The number of securities issued

The Company issued 1 Unsecured Convertible Note with an issue price of \$500,000 to Joseph Capital (Hong Kong) Limited which are convertible into Shares. The the maximum number of Shares that may be issued upon conversion will be 15,151,515 Shares (on a pre-consolidated basis).

ASX Listing Rule 7.5.2: Price at which securities were issued

The issue price of the Unsecured Convertible Note is \$500,000 per Unsecured Convertible Note.

The issue price of the underlying Shares is \$0.033 per Share (on a pre-consolidated basis).

ASX Listing Rule 7.5.3: Terms of the securities

A summary of the principal terms of the Unsecured Convertible Note is attached in Annexure 2 to this Explanatory Memorandum.

Shares issued on the conversion of the Unsecured Convertible Note will have the same terms and rank equally in all respects with existing Shares in the Company.

ASX Listing Rule 7.5.4: Names of person to whom the Company issues the securities

Joseph Capital (Hong Kong) Limited

ASX Listing Rule 7.5.5: Intended use of the funds raised

To be used principally to fund the working capital requirements for MGT Resources Limited's proposed acquisition of 30% of the Manyingee Mining Leases from Paladin Energy Limited.

ASX Listing Rule 7.5.6 Voting exclusion statement

The voting exclusion statement in relation to Resolution 6 can be found in Part 3 of this Notice.

The Board unanimously recommends that Shareholders vote in favour of Resolution 6

7 Resolution 7 - Consolidation of Share Capital

7.1 Background

Resolution 7 seeks Shareholder approval for the Company to consolidate its issued share capital through the consolidation of every ten (10) fully paid ordinary shares into one (1) fully paid ordinary share (**Share Consolidation**).

Pursuant to Section 254H(1) of the Corporations Act, the Company may convert all or any of its Shares into a larger or smaller number of Shares by ordinary resolution passed at a general meeting.

This section of the Explanatory Memorandum provides information required by Listing Rule 7.20 to be provided to Shareholders in relation to the Share Consolidation.

7.2 Purpose of Proposed Resolution

The Directors propose the Share Consolidation for the following reasons:

- (a) the Company currently has 483,066,131 Shares on issue which represents a relatively large number when compared to its peer group listed on the ASX; and
- (b) the Share Consolidation will result in a more appropriate and effective capital structure for the Company and a share price more appealing to a wider range of investors.

7.3 Effect of the Share Consolidation

(a) Shares

If the Resolution is approved, every ten (10) Shares on issue will be consolidated into one (1) Share (subject to rounding). Overall, this will result in the number of Ordinary Shares on issue reducing from 483,066,131 to approximately 48,306,613 (subject to rounding) and the number of Redeemable Preference Shares on issue reducing from 181,818,182 to approximately 18,181,818 (subject to rounding).

As the Share Consolidation applies equally to all Shareholders, individual Shareholdings will be reduced in the same ratio as the total number of Shares (subject to rounding). Accordingly, assuming no other market movements or impacts occur, the Share Consolidation will have no effect on the percentage interest in the Company of each Shareholder.

The Share Consolidation will not result in any changes to the substantive rights and obligations of existing Shareholders.

(b) Options

As at the date of this Notice of Meeting, the Company has unlisted Options on issue (Options). If the Share Consolidation is approved, the Options will also be reorganised in accordance with the terms and conditions of the Options and Listing Rule 7.22.1 (as applicable) on the basis that the number of Options will be consolidated in the same ratio as the Share Consolidation and the exercise price is amended in inverse proportion to that ratio.

For example, a holding of one hundred thousand (100,000) Options with an exercise price of \$0.001 each prior to the Share Consolidation would result in a holding of ten thousand (10,000) Options with an exercise price of \$0.01 each after the Share Consolidation.

After the Share Consolidation, there will be:

-105,000 unlisted Options exercisable at \$1.50 each on or before 17 December 2016

-7,272,727 unlisted Options exercisable at \$0.01 each on or before 16 September 2021

The Share Consolidation will not result in any change to the substantial rights and obligations of existing holders or Options.

(c) Convertible Notes

As at the date of this Notice of Meeting, the Company has unlisted Convertible Notes on issue (Convertible Notes). If the Share Consolidation is approved, the Convertible Notes will also be reorganised in accordance with the terms and conditions of the Convertible Notes and Listing Rule 7.21 (as applicable) on the basis that the conversion price of the Convertible Notes will be consolidated in the same ratio at the Share Consolidation.

After the Share Consolidation, there will be:

-1 Convertible Note with a Face Value of \$1,500,000 convertible at \$0.875 per underlying Share (the subject of Resolution 5)

-1 Convertible Note with a Face Value of \$500,000 convertible at \$0.33 per underlying Share (the subject of Resolution 6).

ASX Listing Rule 7.21 provides that an entity with convertible securities on issue (such as convertible notes) may only reorganise its capital if the number of convertible notes, or the conversion price, or both is reorganised so that the holder of the convertible securities will not receive a benefit that holders of ordinary shares do not receive. ASX Listing Rule 7.22.1 provides that in a consolidation of capital, the number of options must be consolidated in the same ratio as ordinary capital and the exercise price must be amended in inverse proportion to that ratio. Accordingly, the Company confirms that the Convertible Notes and options on issue at the time of the proposed consolidation will be reorganised in accordance with Listing Rules 7.21 and 7.22.1 respectively.

(d) Fractional entitlements

Where the Share Consolidation (and associated consolidation of the Company's Options) results in an entitlement to a fraction of a Share or Option (as applicable), that fraction will be rounded up to the nearest whole number of Shares or Options.

(e) Holding statements

Taking effect from the date of the Share Consolidation, all existing holding statements will cease to have any effect, except as evidence of entitlement to a certain number of securities on a post-Share Consolidation basis. New holding statements will be issued to security holders, who are encouraged to check their holdings after the Share Consolidation.

(f) Taxation

The Share Consolidation should not result in a capital gains tax event for Australian tax residents. The cost base of the Shares held after the Share Consolidation will be the sum of the cost bases of the original Shares pre-Share Consolidation. The acquisition date of the

Shares held after the Share Consolidation will be the same as the date on which the original Shares were acquired.

This Explanatory Memorandum does not however consider the tax implications in respect of Shares or other securities held on revenue account, as trading stock or by non-resident Shareholders. Shareholders should consider their own circumstances and seek their own professional advice in relation to their tax position. Neither the Company nor any of its officers or employees assumes any liability or responsibility for advising Shareholders or other security holders about the tax consequences of the proposed Share Consolidation.

(g) Indicative timetable

If approved by Shareholders, the proposed Share Consolidation will take effect on 5th December 2016. The following is an indicative timetable (subject to change) of the key events:

Key Event	Indicative Date
General Meeting	30 November 2016
Notification to ASX that Share Consolidation is approved	30 November 2016
Last day for trading in pre-organised Shares	1 December 2016
Trading commences in the reorganised Shares on a deferred settlement basis	2 December 2016
Last day for Company to register transfers on a pre-consolidation basis (record date)	5 December 2016
First day for the Company to register Shares on a post re-organisation basis and first day for issue of holding statements and the convertible note certificates.	6 December 2016
Deferred settlement market ends. Last day for the Company to send notice to all Shareholders. Last day for securities to be entered into the holders' security holdings and convertible note certificates to be issued (issue date).	12 December 2016
Trading starts on a normal T+2 basis	13 December 2016

The Board unanimously recommends that Shareholders vote in favour of Resolution 7

PART 6 GLOSSARY OF TERMS

Defined Terms

The following definitions are used in the Notice of Annual General Meeting and the Explanatory Memorandum.

Annual General Meeting means the annual general meeting of the Company to be held on 30th November 2016 pursuant to the Notice of Annual General Meeting.

ASX means ASX Limited ACN 008 624 691.

Board means the Board of Directors.

Chairman means the chairman of the Board at the relevant time.

Closely Related Party of a member of the Key Management Personnel means:

- a) a spouse or child of the member;
- b) a child of the member's spouse;
- c) a dependent of the member or the member's spouse;
- d) anyone else who is one of the member's family and who may be expected to influence the member or be influenced by the member in the member's dealings with the Company; or
- e) a company the member controls; or a person prescribed by the Corporations Regulations 2001 (Cth).

Company means MGT Resources Limited ACN 131 715 645.

Constitution means the constitution of the Company, as amended from time to time.

Corporations Act means the *Corporations Act* 2001 (Cth).

Director means a member of the Board of Directors of the Company.

Explanatory Memorandum means the explanatory memorandum set out in Part 5 of this document.

Key Management Personnel has the same meaning as in the accounting standards. Broadly speaking this includes those persons with the authority and responsibility for planning, directing and controlling the activities of the Company (whether directly or indirectly), and includes any Directors of the Company.

Listing Rules means the Official Listing Rules of ASX.

Member means a person who is recorded on the Company Register pursuant to s 169(1) of the Corporations Act.

Notice of Annual General Meeting or **Notice** means the notice of Annual General Meeting set out in Part 3 of this document.

Proxy Form means the proxy forms more particularly set out in Part 7 which forms part of these Documents.

Resolutions means the resolutions set out in the Notice, or any one of them, as the context requires.

Share means a fully paid ordinary share in the issued capital of the Company and **Shares** means any two or more of them.

Shareholder means a holder of a Share.

Share Price means the share price of the Company as quoted on the ASX.

Interpretation

In these documents, unless the context requires otherwise:

- (a) A reference to a word includes the singular and the plural of the word and vice versa;
- (b) A reference to a gender includes any gender;
- (c) If a word or phrase is defined, then other parts of speech and grammatical forms of that word or phrase have a corresponding meaning;
- (d) A term which refers to a natural person includes a company, a partnership, an association, a corporation, a body corporate, a joint venture or a governmental agency;
- (e) Headings are included for convenience only and do not affect interpretation;
- (f) A reference to a document includes a reference to that document as amended, novated, supplemented, varied or replaced;
- (g) A reference to a thing includes a part of that thing and includes but is not limited to a right;
- (h) The terms "included", "including" and similar expressions when introducing a list of items do not exclude a reference to other items of the same class or genus;
- (i) A reference to a statute or statutory provision includes but is not limited to:
 - (i) a statute or statutory provision which amends, extends, consolidates or replaces the statute or statutory provision;
 - (ii) a statute or statutory provision which has been amended, extended, consolidated or replaced by the statute or statutory provision; and
 - (iii) subordinate legislation made under the statute or statutory provision including but not limited to an order, regulation or instrument;
- (j) Reference to "\$", "A\$", "Australian Dollars", "dollars" or "cents" is a reference to the lawful tender for the time being and from time to time of the Commonwealth of Australia;
- (k) A reference to an asset includes all property or title of any nature including but not limited to a business, a right, a revenue and a benefit, whether beneficial, legal or otherwise.

PART 7 PROXIES AND PROXY FORMS

- (a) **Right to appoint:** Each member entitled to vote at the meeting has the right to appoint a proxy to attend and vote for the member at the meeting. To appoint a proxy, use the Proxy Form sent out with this Notice.
- (b) A proxy or attorney is not entitled to vote while the member appointing them is present at the meeting.
- (c) **Who may be a proxy:** A member can appoint anyone to be their proxy. A proxy need not be a member of the Company. The proxy appointed can be described in the Proxy Form by an office held, eg "Chair of the Meeting".
- (d) **Two proxies:** A member who is entitled to two or more votes at the meeting, may appoint two proxies. Where two proxies are appointed:
 - (i) a separate Proxy Form should be used to appoint each proxy; and
 - (ii) the Proxy Form may specify the proportion, or the number, of votes that each proxy may exercise, and if it does not do so each proxy may exercise half of the votes.
- (e) **Signature(s) of individuals:** In the case of members who are individuals, the Proxy Form must be signed if the shares are held:
 - (i) by one person, by that member; or
 - (ii) in joint names, by any one of them.
- (f) **Signatures on behalf of companies:** In the case of members which are companies, the Proxy Form must be signed:
 - (i) if it has a sole director who is also sole secretary, by that director (and stating that fact next to or under the signature on the Proxy Form); or
 - (ii) in the case of any other company, by two directors or by a director and secretary.

The use of the common seal of the company on the Proxy Form is optional.

- (g) **Lodgement place and deadline:** Proxy forms must be received by the Computershare Investor Services with the original or a certified copy of the authority under which the Proxy Form is signed (if the Proxy Form is signed by an attorney or other representative):

BY MAIL: COMPUTERSHARE INVESTOR SERVICES PTY LIMITED
GPO BOX 242, MELBOURNE, VICTORIA 3001 AUSTRALIA

ONLINE: WWW.INVESTORVOTE.COM.AU
BY FACSIMILE: 1800 783 447 (Within Australia) - +61 3 9473 2555 (Outside
Australia)

by no later than 11.00AM (AEDT) on the 28th day of November 2016.

CORPORATE REPRESENTATIVES

A body corporate may appoint an individual to act as its representative to exercise any of the powers the body may exercise at meetings of a company's members. Unless otherwise stated, the corporate representative may exercise all of the powers the appointing body can exercise. The certificate evidencing the appointment of a corporate representative (or a photocopy or facsimile of it) shall be sufficient evidence of the authority of the representative. The certificate evidencing the appointment of a corporate representative (or a photocopy or facsimile of it) must be received by Computershare as outlined on the proxy form in Section 7 by no later than 11.00AM (AEDT) on the 28th day of November 2016.

MEMBERS WHO ARE ENTITLED TO VOTE

The Directors have determined that a person's entitlement to vote at the meeting will be the entitlement of that person set out in the register of members as at 7.00PM (AEDT) on the 28th day of November 2016.

Annexure 1 Summary of the Unsecured Convertible Note Terms and Conditions

This is a summary of the key principal features of the Unsecured Convertible Notes

Issuer	MGT Resources Limited
Subscriber	Armstrong Industries HK Limited
Subscription amount	\$1,500,000
Face Value	A\$1.00 per Note
Maturity Date	The earlier of 11 November 2017 and the date that is 14 days after the date that the Company is in receipt of the funds from the successful capital raising required for the Company to purchase 30% of the Manyingee Mining Leases from Paladin Energy Limited (the binding term sheet for which was announced by the Company on the ASX market announcement platform on 21 July 2016) and working capital in the amount of at least US\$11.5 million or the date on which the Notes are redeemed.
Coupon	15% p.a paid semi-annually in arrears
Conditions Precedent and Approvals	The effectiveness of the deed shall be conditional upon the Notes being the subject of the Original Unsecured Convertible Note deed entered into between the Company and Armstrong Industries HK Limited dated 11 November 2011 not being converted into shares of the Company in accordance with its terms. The effectiveness of the Unsecured Convertible Note deed shall also be conditional upon the approval of the shareholders of the Company in a general meeting.
Security	The Notes are unsecured obligations of MGT Resources Limited
Quotation	The Notes will not be quoted on the ASX The Company intends to apply for ASX quotation of Shares issued on conversion of the Note
Conversion	Any amount of Notes are convertible at the conversion price into Shares at any time at the option of the holder prior to the Maturity Date
Conversion price	\$0.0875 per Share, subject to the following adjustments (<i>ASX Listing Rules 7.3A.2 and 7.21</i>): (a) Consolidation, subdivision or reclassification: If and whenever there is an alteration to the nominal value of the Shares as a result of consolidation, subdivision or reclassification, the conversion price will be adjusted by multiplying the conversion price in force immediately before such alteration by the following fraction: $\frac{A}{B}$ where: A is the nominal amount of one Share immediately after such alteration; and B is the nominal amount of one Share immediately before such alteration.

	Such adjustment will become effective on the date the alteration takes effect. (b) Capital Distribution: If and whenever the Company pays or makes any Capital Distribution to the Shareholders (except where the conversion price falls to be adjusted as per (a) above), the conversion price will be adjusted by multiplying the conversion price in force immediately before such Capital Distribution by the following fraction: $\frac{A - B}{A}$ where: A is the current Market Price of one Share on the last Trading Day preceding the date on which the Capital Distribution is publicly announced; and B is the Fair Market Value on the date of such announcement of the portion of the Capital Distribution attributable to one Share. Such adjustment will become effective on the date that such Capital Distribution is made. When the Capital Distribution is by means of distribution of a cash dividend, only such portion of cash dividend or distribution which exceeds the amounts referred to in paragraph (i) of the definition of Capital Distribution (excess portion) will be regarded as Capital Distribution and only the excess portion will be taken into account in the determination of the Fair Market Value of the portion of the Capital Distribution attributable to one Share. (c) Rights Issues of Shares or options over Shares: If and whenever the Company issues Shares to all or substantially all Shareholders by way of issue or grant to all or substantially all Shareholders, by way of rights at less than 95% of the current Market Price per Share on the last Trading Day preceding the date of the announcement of the terms of the issue or grant, the Conversion Price will be adjusted by multiplying the Conversion Price in force immediately before such issue or grant by the following fraction: $\frac{A + B}{A + C}$ where: A is the number of Shares in issue immediately before such announcement; B is the number of Shares which the aggregate amount (if any) payable for the Shares issued by way of rights and for the total number of Shares comprised therein would purchase at such current Market Price per Share; and C is the aggregate number of Shares issued or, as the case may be, comprised in the issue. Such adjustment will become effective on the date of issue of such Shares or where a record date is set, the first date on which the Shares are traded ex-rights. (d) Rights Issues of other securities: If and whenever the Company issues any securities (other than Shares or options, warrants or other rights to subscribe for, purchase or otherwise acquire any Shares) to all or substantially all Shareholders, by way of rights, or the grant to all or substantially all Shareholders by way of rights, options, warrants or other rights to subscribe for, purchase or otherwise acquire any securities (other than Shares or options, warrants or other rights to subscribe for, purchase or otherwise acquire Shares), the Conversion Price will be
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	adjusted by multiplying the Conversion Price in force immediately before such issue or grant by the following fraction: $\frac{A - B}{A}$ where: A is the current Market Price of one Share on the last Trading Day preceding the date on which such issue or grant is publicly announced; and B is the Fair Market Value on the date of such announcement of the portion of the rights attributable to one Share. Such adjustment will become effective on the date of issue of the securities or grant of such rights, options or warrants (as the case may be) or where a record date is set, the first date on which the Shares are traded ex-rights, ex-options or ex-warrants as the case may be.
	(e) Other Events: If the Company determines that an adjustment should be made to the Conversion Price as a result of one or more events or circumstances not referred to in paragraphs (a) to (d) above, the Company will at its own expense request an Independent Investment Bank to determine as soon as practicable what adjustment (if any) to the Conversion Price is fair and reasonable to take account thereof, if the adjustment would result in a reduction in the Conversion Price, and the date on which such adjustment should take effect and upon such determination such adjustment (if any) will be made and will take effect in accordance with such determination PROVIDED THAT where the circumstances giving rise to any adjustment in the circumstances set out in paragraphs (a) to (d) above have already resulted or will result in an adjustment to the Conversion Price or where the circumstances giving rise to any adjustment arise by virtue of events or circumstances which have already given rise or will give rise to an adjustment to the Conversion Price, such modification (if any) will be made to the operation of the provisions of paragraphs (a) to (d) above as may be advised by an Independent Investment Bank to be in their opinion appropriate to give the intended result.
	(f) On any adjustment, the relevant Conversion Price, if not an integral multiple of one cent, will be rounded down to the nearest one cent. No adjustment will be made to the Conversion Price where such adjustment (rounded down if applicable) would be less than 1% of the Conversion Price then in effect. Any adjustment not required to be made, and any amount by which the Conversion Price has not been rounded down, will be carried forward and taken into account in any subsequent adjustment. Notice of any adjustment will be given to the Note holder in accordance with the provisions of the section on "Notice of Change in Conversion Price" below as soon as practicable after the determination thereof.
	(g) The Conversion Price may not be reduced so that, on conversion of Notes, Shares would fall to be issued in any circumstances not permitted by applicable law.
	(h) Where more than one event which gives or may give rise to an

	adjustment to the Conversion Price occurs within such a short period of time that in the opinion of an Independent Investment Bank, the foregoing provisions would need to be operated subject to some modification in order to give the intended result, such modification will be made to the operation of the foregoing provisions as may be advised by such Independent Investment Bank to be in its opinion appropriate in order to give such intended result. (i) No adjustment will be made to the Conversion Price where Shares or other securities (including rights, warrants or options) are issued, offered, exercised, allotted, appropriated, modified or granted to or for the benefit of employees (including directors) of the Company or such other eligible participants pursuant to any employees' share option or share award scheme or plan that is currently in existence or established after the date of this Deed. (j) No adjustment involving an increase in the Conversion Price will be made, except in the case of a consolidation of the Shares as referred to in paragraph (a) above or to correct an error. Notice of Change in Conversion Price The Company will give notice to the Note holder of changes in the Conversion Price. Any such notice relating to a change in the Conversion Price will set forth the event giving rise to the adjustment, the Conversion Price prior to such adjustment, the adjusted Conversion Price and the effective date of such adjustment. Definitions used in this section Capital Distribution means: (a) any distribution of assets in specie by the Company for any financial period whenever paid or made and however described (and for these purposes a distribution of assets in specie includes without limitation an issue of Shares or other securities credited as fully or partly paid (other than Shares credited as fully paid) by way of capitalisation of reserves); and (b) any cash Dividend or distribution of any kind by the Company for any financial period (wherever paid and however described) unless: (i) (and only to the extent that) in the case of a cash Dividend, it does not, when taken together with any other cash Dividends previously made or paid in respect of the same, current or prior fiscal year exceed the consolidated profit for the year attributable to Shareholders, excluding any exceptional and extraordinary items or once-off items that are set out in the audited financial statements (including the notes thereto) of the Company, for the fiscal year in respect of which the cash Dividend is made, calculated by reference to the audited consolidated income statement for such fiscal year of the Company; or (ii) it comprises a purchase or redemption of Shares by or on behalf of the Company where the weighted average price (before expenses) on any one day in respect of such purchases does not exceed the average closing Market Price of the Shares as quoted by the ASX, by more than 5 per cent., either (1) for the five Trading Days on which transactions in the Shares were recorded preceding the day of the purchase, or (2) where an announcement has been made of the intention to purchase Shares at some future date at a specified price, on the Trading Day immediately preceding the date of such announcement (excluding, for the avoidance of doubt, general authority for such
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	purchases given by a Shareholders' meeting of the Company, or any notice convening such meeting) and, if in the case of either (1) or (2), the relevant day is not a Trading Day, the immediately preceding Trading Day. In making any such calculation, such adjustments (if any) will be made as an Independent Investment Bank may consider appropriate to reflect any consolidation or subdivision of the Shares. Dividend means any dividend or distribution, whether of cash, assets or other property, and whenever paid or made and however described (and for these purposes a distribution of assets includes, without limitation, an issue of Shares or other securities credited as fully or partly paid up) provided that: (i) where a cash Dividend is announced which is to be, or may at the election of a holder or holders of Shares be, satisfied by the issue or delivery of Shares or other property or assets, then, the Dividend in question will be treated as a Dividend of (a) the cash Dividend so announced or (b) the current Market Price on the date of announcement of such Dividend, of such Shares or the Fair Market Value of other property or assets to be issued or delivered in satisfaction of such Dividend (or which would be issued if all holders of Shares elected therefor, regardless of whether any such election is made) if the Current Market Price of such Shares or the Fair Market Value of other property or assets is greater than the cash Dividend so announced; and (ii) any issue of Shares falling within the provisions relating to consolidation, subdivision and reclassification will be disregarded. Fair Market Value means, with respect to any assets, security, option, warrants or other right on any date, the fair market value of that asset, security, option, warrant or other right as determined by an Independent Investment Bank; provided that (i) the fair market value of a cash dividend paid or to be paid per Share will be the amount of such cash dividend per Share determined as at the date of announcement of such dividend; and (ii) where options, warrants or other rights are publicly traded in a market of adequate liquidity (as determined by such Independent Investment Banks) the fair market value of such options, warrants or other rights will equal the arithmetic mean of the daily closing prices of such options, warrants or other rights during the period of five trading days on the relevant market commencing on the first such trading day such options, warrants or other rights are publicly traded. Independent Investment Bank means an independent investment bank of international repute (acting as expert) selected by the Company and the Note holder. Market Price means, in respect of a Share at a particular time on a particular date, the average of the closing prices quoted on the ASX for one Share (being a Share carrying full entitlement to dividend) for the 20 consecutive Trading Days ending on the Trading Day immediately preceding such date; provided that if at any time during the said 20 Trading Day period the Shares have been quoted ex-dividend and during some other part of that period the Shares have been quoted cum-dividend then: (i) if the Shares to be issued in such circumstances do not rank for
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	the dividend in question, the quotations on the dates on which the Shares have been quoted cum-dividend will for the purpose of this definition be deemed to be the Fair Market Value thereof reduced by an amount equal to the amount of that dividend per Share; or (ii) if the Shares to be issued in such circumstances rank for the dividend in question, the quotations on the dates on which the Shares have been quoted ex-dividend will for the purpose of this definition be deemed to be the amount thereof increased by such similar amount; (iii) and provided further that if the Shares on each of the said 20 Trading Days have been quoted cum-dividend in respect of a dividend which has been declared or announced but the Shares to be issued do not rank for that dividend, the quotations on each of such dates will for the purpose of this definition be deemed to be the amount thereof reduced by an amount equal to the Fair Market Value of that dividend per Share, and provided further that: (iv) if such closing prices are not available on each of the 20 Trading Days during the relevant period, then the arithmetic average of such closing prices which are available in the relevant period will be used (subject to a minimum of two such closing prices); and (v) if only one or no such closing prices are available in the relevant period, then the current Market Price will be determined in good faith by an Independent Investment Bank. Trading Day means a day when the ASX is open for dealing business, provided that if no Closing Price is reported in respect of the relevant Shares on the ASX for one or more consecutive dealing days such day or days will be disregarded in any relevant calculation and will be deemed not have existed when ascertaining any period of dealing days.
Redemption at maturity	If not previously converted or redeemed, the Notes will be redeemed at the Maturity Date provided the market price of Shares on the Maturity Date is \$0.0875 per Share
Transferability	The Notes may be transferred to a person or entity that has executed and delivered to the Company an undertaking to observe, perform and be bound by the terms of the Note conditions
Voting rights	The Noteholders may attend general meetings of the Company but the Notes do not carry a right to vote at a general meeting of the Company
Ranking	Shares issued on the conversion of the Unsecured Convertible Notes will have the same terms and rank equally in all respects with existing Shares in the Company and will be quoted on the ASX
Transferability	The Notes are transferable

Annexure 2 Summary of the Joseph Capital (Hong Kong) Limited Unsecured Convertible Note Terms and Conditions

This is a summary of the key principal features of the Unsecured Convertible Notes

Issuer	MGT Resources Limited
Subscriber	Joseph Capital (Hong Kong) Limited
Subscription amount	\$500,000
Face Value	A\$500,000 per Note
Maturity Date	12 months after issue, being 19 October 2017 unless it automatically converts upon MGT Resources Limited announcing on the ASX the completion of the 30% acquisition of the Manyingee Mining Leases from Paladin Energy Limited.
Coupon	6% p.a paid quarterly in arrears
Conditions Precedent and Approvals	The effectiveness of the deed shall be conditional upon all internal and external approvals and confirmation from the Company to the Noteholder that the deed fully satisfies the final outstanding condition precedent to the Cloud Convertible Note. These conditions have been met.
Security	The Notes are unsecured obligations of MGT Resources Limited
Quotation	The Notes will not be quoted on the ASX The Company intends to apply for ASX quotation of Shares issued on conversion of the Note
Conversion	Subject to redemption, all the Notes held by a Noteholder automatically convert into 15,151,515 Shares on the date the Company announces on ASX the completion of the 30% acquisition of the Manyingee Mining Leases from Paladin Energy Limited (as detailed in its announcement to the ASX on 21 July 2016).
Conversion price	\$0.033 subject to the following adjustments: Reorganisation in accordance with the Listing Rules Subject always to the Listing Rules, where as a consequence of: (a) a pro rata bonus issue of Shares (not including an issue for cash or other consideration); (b) a subdivision or consolidation of Shares; or (c) any other reorganisation of share capital, (each a Reorganisation Event) the number of Shares alters, then the number of Shares into which the Notes are convertible is adjusted in accordance with the Listing Rules so that the Notes are convertible into the same percentage of the issued ordinary share capital as the percentage into which they are convertible immediately before the relevant Reorganisation Event.

Redemption by Noteholder	The Notes held by a Noteholder are redeemable, at the election of the Noteholder, on the occurrence of an Event of Default or no conversion occurs after the date 12 months after the date of issue of the Convertible Note (Conversion Period), by the Noteholder giving to the Company, within 60 days after the Event of Default first occurring or the lapse of the Conversion Period, a Redemption Notice requiring the Company to redeem all of the Notes the subject of the Redemption Notice for an amount equal to the Principal Money of the Notes the subject of the Redemption Notice calculated as at the Redemption Date.
Redemption at the Election of the Company	The Company may at any time, subject to the Notes not at that time being already redeemed or converted in accordance with these terms, elect to redeem the Notes for an amount equal to the Principal Money of the Notes.
Transferability	(a) During the first 12 months after the Issue Date, the Notes must not be transferred except pursuant to invitations or offers which do not require disclosure because of section 708 of the Corporations Act. (b) Subject to (a), Notes may be transferred: (i) by written transfer instrument in any usual or common form or in any other form approved by the Directors; and (ii) to a person or entity that has executed and delivered to the Company an undertaking to observe, perform and be bound by the terms of the deed.
Voting rights	The Noteholders may attend general meetings of the Company but the Notes do not carry a right to vote at a general meeting of the Company
Ranking	Shares issued on the conversion of the Unsecured Convertible Note will have the same terms and rank equally in all respects with existing Shares in the Company and will be quoted on the ASX

Annexure 3 Effect of Share Consolidation

Shares

Share Class	Number on issue before Consolidation	Number on issue after the 10:1 Consolidation
Ordinary shares	483,066,131	48,306,613
Redeemable preference shares	181,818,182	18,181,818

Options

Non-Employee Share Options	Before Consolidation	After the 10:1 Consolidation
Number of options issued	72,727,274	7,272,727
Exercise price	\$0.001	\$0.01
Issue date	16 September 2016	16 September 2016
Expiry date	16 September 2021	16 September 2021

Employee Share Options	Before Consolidation	After the 10:1 Consolidation
Number of options issued	1,050,000	105,000
Exercise price	\$0.15	\$1.50
Issue date	17 December 2013	17 December 2013
Expiry date	17 December 2016	17 December 2016

Convertible Notes

Armstrong Industries HK Limited Convertible Note (Resolution 5)	Before Consolidation	After the 10:1 Consolidation
Face Value	\$1,500,000	\$1,500,000
Conversion rate	\$0.0875	\$0.875
Number of ordinary shares to be issued if converted	17,142,857	1,714,285

Joseph Capital (Hong Kong) Limited Convertible Note (Resolution 6)	Before Consolidation	After the 10:1 Consolidation
Face Value	\$500,000	\$500,000
Conversion rate	\$0.033	\$0.33
Number of ordinary shares to be issued if converted	15,151,515	1,515,151