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14 March 2012

Mr Ian Craig
Companies Manager
National Stock Exchange of Australia

NSX Announcement - MGT Resources Limited (NSX:MGS)

Half Year Report 31 December 2011 and Appendix 3

Please find attached Half Year Report to 31 December 2011.

The report and further information on the Company can be found at
www.mgt.net.au

On behalf of the Board of MGT Resources,

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Alexander Moody'.

Alexander Moody
Company Secretary

MGT Resources Limited – Half-Year Financial Report

SECTION 2C: APPENDIX 3

HIGHLIGHTS OF RESULTS FOR ANNOUNCEMENT TO THE MARKET

	2011	2010	Percentage increase/(decrease)
Revenue from ordinary activities	\$33,105	\$50,670	(35%)
(Loss) from ordinary activities after tax attributable to members	(\$1,637,051)	(\$2,233,400)	(27%)
(Loss) for the period attributable to members of the company	(\$ 1,452,295)	(\$2,109,691)	(31%)

Dividends

	Amount per tradeable security	Franked amount per security	Percentage increase/(decrease)
Interim dividend (cents per share)	Nil	Nil	Nil
Record date for determining entitlements to the dividends was:	Not Applicable		

Refer to the attached announcement and interim financial report for further information on the results for the half-year ended 31 December 2011. This information should be read in conjunction with the Company's most recent annual financial report and company announcements.

Net Tangible Assets per share

	31 December 2011	31 December 2010	Percentage increase/(decrease)
Net Tangible Assets per share	\$ 0.03	\$0.11	Nil

Acquisition and/or Disposal

The Company acquired a further 3% of the issued capital in MGT Mining Limited by way of a placement on 1 July 2011. The placement was for 7,304,464 new ordinary shares in MGT Mining Limited at \$0.05 cents per share, for a total consideration of \$365,223.20.

There were no disposals of subsidiaries during the half-year ended 31 December 2011.

MGT Resources Limited – Half-Year Financial Report

SECTION 2C: APPENDIX 3

This report is based on the consolidated half-year financial report which has been subject to a review. There are no audit disputes or qualifications. AASB standards, other authoritative pronouncements and Urgent Issues Group Interpretations have been used in compiling the information in this Appendix 3.



Gary Kuo
Director
Sydney, 14 March 2012

MGT RESOURCES LIMITED

HALF-YEAR FINANCIAL REPORT

31 DECEMBER 2011

ACN 131 715 645

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Directors' Report

Your directors submit their report for the half-year ended 31 December 2011.

Directors

The directors of MGT Resources Limited and its controlled entities (the "Company") in office during the half year, and until the date of this Report are set out below. Directors were in office for this entire period unless otherwise stated.

<u>Name</u>	<u>Particulars</u>
Jonathan Paul Back	Director, appointed 4 th September 2008 and appointed as Chairman 1 st February 2010
George Monemvasitis	Director, appointed 30 th June 2008 and appointed as Non-Executive Director 1 st July 2011
Gary Kuo	Director, appointed 7 th January 2011
Hai Jun Li	Non-Executive Director, appointed 14 th April 2009
Robert Vagnoni	Non-Executive Director, appointed 1 st February 2011

Principal activities

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

Operating and Financial Review

(a) Review of Operations

The consolidated net loss for the half-year after providing for income tax was \$1,637,051 (2010: restated loss of \$2,233,400).

The company has continued to invest capital in site, mill and office upgrades and in successful assaying and drilling programs and it continues to pursue its objective of seeking further investment opportunities in the resource sector.

(b) Exploration and Evaluation Activities

On 23rd September 2011, MGT Mining Ltd signed a Native Title Ancillary Agreement with the Bar-Barrum People #3 and Bar-Barrum People #4 over MLA 20547 (Summer Hill) and MLA 20655 (Heads and Tails). The signing of this agreement was an important milestone and meant that MGT Mining Ltd could apply to the Department of Mines and Energy for the granting of the respective mining leases.

Indeed, the Mining Lease ML 20655 Heads and Tails, was granted on 6th December 2011 by the Queensland Government. Tailings and ore mined from Heads and Tails ML 20655 will provide feed for the Mt Veteran tin mill and will allow MGT Mining Ltd to move into full production.

The exploration team focused on further ground mapping within the 3 tenements in the Mount Garnet region. Drill-hole positions were designed and drilling commenced in the 3rd Quarter of 2011. A drilling program is also designed and proposed for the EPM 12887 "Pyramid" Gold prospect and drilling should commence in Quarter 2 of 2012.

In respect of MLA 20547 Summer Hill, this mining lease is currently awaiting the signing off by the Minister of Mines. It is hoped that this will be completed and granted by the end of 2012.

Directors' Report

The first mining target for MGT Mining Limited continues to be the Dalcouth prospect within MLA 20547. A mining plan is currently being drafted for Dalcouth which is located 500 meters from the mill. Based on the milling capacity of 50K tpa, we expect 5 to 7 years of mine life from the Dalcouth prospect.

Subsequent events

The following non-adjusting material events took place after the financial period:

The parent entity MGT Resources Limited acquired a further 3% of the issued capital in MGT Mining Limited by way of a share placement on 4 January 2012. The placement was for 9,675,129 new ordinary shares in MGT Mining Limited at \$0.05 cents per share, for a total consideration of \$483,756.45;

On 29 February 2012 Jonathan Back exercised his right to convert 400,000 convertible notes into fully paid ordinary shares in the capital of MGT Resources Limited; and

On 2 March 2012, Jonathan Back and Hai Jun Li exercised their option in respect of 1,600,000 and 1,000,000 ordinary shares at the exercise price of \$0.125 per share for the amount of \$200,000 and \$125,000 respectively.

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

Auditor's independence declaration

The auditor's independence declaration is included on page 5 of the financial report.

This directors' report has been made and signed in accordance with a resolution of the directors made pursuant to s.306(3) of the Corporations Act 2001.

On behalf of the Directors



Gary Kuo
Director
Dated: 14th March 2012



Auditors' Independence Declaration

In relation to our review of the financial report of MGT Resources Limited and its controlled entity for the half-year ended 31 December 2011, to the best of my knowledge and belief, there have been:

- (i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of MGT Resources Limited and its controlled entity during the half-year ended 31 December 2011.

DUNCAN DOVICO CHARTERED ACCOUNTANTS

A handwritten signature in dark ink, appearing to read "R. Megale".

Rosemary Megale
Partner

Dated in Sydney, this 14th March 2012

Directors' Declaration

The directors of MGT Resources declare that:

The financial statements and notes are in accordance with the Corporations Act 2001, including:

- (a) In the director's opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and.
- (b) In the director's opinion, complying with Accounting Standard AASB 134 "Interim Financial Reporting".

Signed in accordance with a resolution of the directors made pursuant to s.303(5) of the *Corporations Act 2001*.

On behalf of the Directors



Gary Kuo
Director
Sydney
Dated: 14th March 2012

Condensed Consolidated Statement of Comprehensive Income

For The Half-Year Ended 31 December 2011

		Consolidated 2011	2010
	Notes	\$	Restated \$
Revenues			
Other Revenue		33,105	50,670
Expenses			
Employee benefits expense		(940,162)	(1,336,929)
Depreciation and amortisation expense		(144,909)	(65,309)
Interest expense		(38,808)	-
Administration expense		(235,659)	-
Consultancy expense		-	(351,802)
Other expense		(310,618)	(530,030)
Loss from operations before tax		(1,637,051)	(2,233,400)
Income tax (expense) benefit		-	-
Loss after tax from operations		(1,637,051)	(2,233,400)
Other comprehensive income			
Other comprehensive income for the period, net of tax		-	(28,121)
Total comprehensive income for the half-year		(1,637,051)	(2,261,521)
Total comprehensive income attributable to:			
Equity holders of the parent		(1,452,295)	(2,109,691)
Non-controlling interests		(184,756)	(151,830)
		(1,637,051)	(2,261,521)
Earnings per share (cents per share)			
Basic EPS for the half-year	9	(0.56)	(1.19)
Diluted EPS for the half-year	9	(0.52)	(1.19)

The above condensed consolidated statement of comprehensive income should be read in conjunction with the accompanying notes

Condensed Consolidated Statement of Financial Position

As at 31 December 2011

	Notes	as at 31 December 2011 \$	Consolidated as at 30 June 2011 Restated \$	as at 1 July 2011 Restated \$
ASSETS				
Current Assets				
Cash and cash equivalents	7	1,448,898	2,644,364	2,644,364
Trade and other receivables		162,234	149,993	149,993
Other financial assets		48,773	144,000	144,000
Total Current Assets		1,659,905	2,938,357	2,938,357
Non-current Assets				
Exploration and evaluation expenditure	4	4,329,448	3,845,068	3,845,068
Trade and other receivables		36,108	-	-
Plant and equipment		3,966,640	3,313,471	3,313,471
Total Non-current Assets		8,332,196	7,158,539	7,158,539
TOTAL ASSETS		9,992,101	10,096,896	10,096,896
LIABILITIES				
Current Liabilities				
Trade and other payables		566,921	368,405	368,405
Borrowings		472,002	924,646	924,646
Provisions		70,205	53,687	53,687
Total Current Liabilities		1,109,128	1,346,738	1,346,738
Non-current Liabilities				
Borrowings	12	1,475,377	21,796	21,796
Provisions		25,470	4,427	4,427
Total Non-current Liabilities		1,500,847	26,223	26,223
TOTAL LIABILITIES		2,609,975	1,372,961	1,372,961
NET ASSETS		7,382,126	8,723,935	8,723,935
EQUITY				
Issued capital	8	9,020,441	9,076,237	9,076,237
Reserves		2,093,660	(92,087)	1,742,616
Retained earnings		(3,824,150)	(537,152)	(2,371,855)
Non-controlling interest		92,175	276,937	276,937
TOTAL EQUITY		7,382,126	8,723,935	8,723,935

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

Condensed Consolidated Statement of Cash Flow

For The Half-Year Ended 31 December 2011

	Notes	Consolidated 2011 \$	2010 \$
Cash flows from operating activities			
Payments to suppliers and employees		(896,361)	(804,744)
Interest received		28,356	17,670
Interest paid		(1,989)	-
Net cash flows from (used in) operating activities		<u>(869,994)</u>	<u>(787,074)</u>
Cash flows from investing activities			
Proceeds from sale of investment		(12,778)	6,000
Payment for property, plant & equipment		(798,078)	(1,095,606)
Payments for exploration costs		(484,380)	(480,065)
Net cash flow from (used in) investing activities		<u>(1,295,236)</u>	<u>(1,569,671)</u>
Cash flows from financing activities			
Proceeds from issues of equity securities		-	1,631,504
Proceeds from borrowings – related parties		-	100,000
Repayment of borrowings – related parties		(424,483)	-
Proceeds from issue of convertible notes		1,500,000	-
Payment for lease liabilities		(49,957)	(8,522)
Payment of share issue costs		(55,796)	-
Net cash flow from (used in) financing activities		<u>969,764</u>	<u>1,722,982</u>
Net (decrease)/increase in cash and cash equivalents		(1,195,466)	(633,763)
Cash and cash equivalents at beginning of period		<u>2,644,364</u>	<u>959,126</u>
Cash and cash equivalents at end of period		<u>1,448,898</u>	<u>325,363</u>

The above condensed consolidated statement of cash flow should be read in conjunction with the accompanying notes

Condensed Consolidated Statement of Changes in Equity

For The Half-Year Ended 31 December 2011

CONSOLIDATED	Notes	Attributable to equity holders of the parent				Total equity
		Fully paid ordinary shares	Retained Earnings	Reserve	Non- controlling interests	
		\$	\$	\$	\$	\$
At 1 July 2011		9,076,237	(537,152)	(92,087)	276,937	8,723,935
Retrospective adjustments	1(c)	-	(1,834,703)	1,834,703	-	-
At 1 July 2011 (restated)		9,076,237	(2,371,855)	1,742,616	276,937	8,723,935
(Loss) for the period		-	(1,452,295)	-	(184,756)	(1,637,051)
Available-for-sale reserve		-	-	(108,000)	-	(108,000)
Embedded derivative		-	-	26,387	-	26,387
Share-based payment transaction		-	-	432,657	-	432,657
Transactions with Owners in their capacity as owners:						
Contributions of equity, net of transaction costs		(55,796)	-	-	(6)	(55,802)
At 31 December 2011		9,020,441	(3,824,150)	2,093,660	92,175	7,382,126
At 1 July 2010		4,252,508	802,518	(51,151)	567,019	5,570,894
Retrospective adjustments		-	(1,715,751)	1,715,751	-	-
(Loss) for the period		-	(672,416)	-	(151,830)	(824,246)
Other Comprehensive Income		-	-	(28,121)	-	(28,121)
Transactions with Owners in their capacity as owners:						
Contributions of equity, net of transaction costs		1,634,010	-	-	(2,507)	1,631,503
At 31 December 2010		5,886,518	(1,585,649)	1,636,479	412,682	6,350,030

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

Notes to the Financial Statements

For The Half-Year Ended 31 December 2011

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

(a) Basis of Preparation

This general purpose condensed financial report for the half-year ended 31 December 2011 has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. Compliance with AASB 134 *Interim Financial Reporting* ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

It is recommended that the half-year financial report be read in conjunction with the annual report for the year ended 30 June 2011 and considered together with any public announcements made by MGT Resources Limited during the half-year ended 31 December 2011 in accordance with the continuous disclosure obligations of the NSX listing rules.

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements.

(b) Changes in Accounting Policies

The Company has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current reporting period.

There are no new and revised standards and amendments or Interpretations effective for the current reporting period that are relevant to the Company.

The Company has not elected to early adopt any of the new standards or amendments that are issued but not yet effective.

Notes to the Financial Statements

For The Half-Year Ended 31 December 2011

(c) Correction of error

The following adjustments were made to the financial statements with respect to share options issued by the Company to correctly reflect the fair value of share options at the grant date:

As of 1 July 2011:

Increase in Share-based payment transaction in Equity:	\$1,742,616
Increase in Available-for-sale Reserve:	\$92,087
Decrease in Opening Retained Earnings:	\$1,834,703

As of and for the year ended 30 June 2011:

Increase in Share-based payment transaction in Equity:	\$1,742,616
Increase in Available-for-sale Reserve:	\$92,087
Increase in employee benefit:	\$1,436,019
Increase in professional services:	\$306,597
Net increase in loss after tax:	\$1,834,703

2. GOING CONCERN

The half-year financial statements are prepared on a going concern basis, which contemplates the continuation of normal business activity and the realisation of assets and liabilities in the normal course of business.

As at 31 December 2011 the consolidated entity incurred a net loss after tax of \$1,637,051 and cash outflows from operating and investing activities of \$2,165,230. The ability of the company to continue as a going concern and to pay their debts as and when they fall due is dependent on the consolidated entity's ability to raise additional funds through either debt financing or capital raising arrangements. Further, the Directors have the ability to reduce discretionary expenditure such that the impact on cash outflows is minimised whilst maintaining key operational activities.

Having regard to the above, the Directors have a reasonable expectation that the entity will have adequate resources to continue operating for the foreseeable future. For this reason they continue to adopt the going concern basis in preparation of the accounts.

Notes to the Financial Statements

For The Half-Year Ended 31 December 2011

3. DIVIDENDS PAID OR PROPOSED

No dividends have been provided for or paid at the reporting date (30 June 2011: Nil).

4. EXPLORATION AND EVALUATION OF ASSETS

	Half-year ended 31 December 2011 \$	Full year ended 30 June 2011 \$
Balances at the beginning of the period	3,845,068	3,332,086
Expenditure incurred during the year	484,380	512,982
(Impairment) of exploration expenditure	-	-
Balances at the end of the period	4,329,448	3,845,068

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. The ultimate recoverability of exploration and evaluation expenditure is dependent upon the successful development and exploitation of the area of interest, or alternatively, by its sale.

5. SUBSEQUENT EVENTS

The following non-adjusting material events took place after the financial period:

The parent entity MGT Resources Limited acquired a further 3% of the issued capital in MGT Mining Limited by way of a share placement on 4 January 2012. The placement was for 9,675,129 new ordinary shares in MGT Mining Limited at \$0.05 cents per share, for a total consideration of \$483,756.45;

On 29 February 2012 Jonathan Back exercised his right to convert 400,000 convertible notes into fully paid ordinary shares in the capital of MGT Resources Limited; and

On 2 March 2012, Jonathan Back and Hai Jun Li exercised their option in respect of 1,600,000 and 1,000,000 ordinary shares at the exercise price of \$0.125 per share for the amount of \$200,000 and \$125,000 respectively.

Notes to the Financial Statements

For The Half-Year Ended 31 December 2011

6. SEGMENT INFORMATION

MGT Resources Limited (the “Group”) operates predominantly in one business segment and one geographical segment being the mining industry in Australia. The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (the chief operating decision makers) in assessing performance and in determining the allocation of resources.

The segment information provided is consistent with the internal management reporting. The group operates predominantly in one business segment and one geographical segment being the mining industry in Australia.

No revenue from this activity has been earned to date as the Group is still in the exploration and evaluation stage.

7. CASH AND CASH EQUIVALENTS

For the purposes of the Condensed Cash Flow Statement, cash and cash equivalents comprise the following at 31 December 2011:

	31 December 2011	30 June 2011	31 December 2010
	\$	\$	\$
Cash and cash equivalents	1,448,898	2,644,364	325,363
	1,448,898	2,644,364	325,363

8. ISSUED SHARE CAPITAL

Issue of ordinary shares during the half-year

	Half-year ended 31 December 2011	Full year ended 30 June 2011
	No of shares	No of shares
Share capital as at beginning of period	259,635,040	52,750,426
October 2010 Issue of Shares	-	6,800,000
March 2011 4 for 1 Share split	-	178,651,278
April 2011 Issues of shares	-	1,085,332
May 2011 Issues of shares	-	120,000
June 2011 Issues of shares	-	20,228,004
Share capital as at the end of period	259,635,040	259,635,040
	\$	\$
Balance as at beginning of period	9,076,237	9,248,096
Capital raising costs	(55,796)	(171,859)
Share capital as at the end of period	9,020,441	9,076,237

Notes to the Financial Statements

For The Half-Year Ended 31 December 2011

9. EARNINGS PER SHARE

	31 December 2011 Cents per share	31 December 2010 Cents per share
Basis earning per share	(0.56)	(1.19)
Diluted earnings per share	(0.52)	(1.19)
Basis earning per share	\$	\$
The earning and weighted average number of ordinary share used in the calculation of basis earning per share are as follows:		
Net loss	(1,452,295)	(672,416)
Earning used in the calculation of basic EPS from continuing operations	(1,452,295)	(672,416)
	No.	No.
Weighted average number of ordinary shares for the purpose of basic earnings per share	259,635,040	56,603,151
Diluted earnings per share	\$	\$
The earning and weighted average number of ordinary share used in the calculation of diluted earning per share are as follows:		
Net loss	(1,452,295)	(672,416)
Interest expense for the current year relating to the liability component of the convertible bonds	(36,818)	-
Earning used in the calculation of diluted EPS from continuing operations	(1,489,113)	(672,416)
	No.	No.
Weighted average number of ordinary shares for the purpose of basic earnings per share	280,631,759	56,603,151

Notes to the Financial Statements

For The Half-Year Ended 31 December 2011

10. RELATED PARTY TRANSACTIONS

The following table provides the total amount of transactions which have been entered into with related parties during the six month period ending 31 December 2011 and 30 June 2011 as well as balances with related parties as of 31 December 2011 and 30 June 2011:

(a) Subsidiaries

Name of subsidiary	Country of incorporation	Ownership interest	Ownership interest
		31 December 2011	30 June 2011
		%	%
MGT Mining Limited	Australia	78.33% (ii)	75.33%
Garimperos Pty Limited (i)	Australia	100.00%	100.00%

- i) Garimperos Pty Limited is 100% owned by MGT Mining Limited.
- ii) During the financial year, MGT Resources Limited acquired an additional 3% of the issued shares of MGT Mining Limited for a purchase consideration of \$365,223.
- iii) As disclosed in note 5, MGT Resources Limited acquired a further 3% of the issued capital in MGT Mining Limited by way of a share placement on 4 January 2012. The placement was for 9,675,129 new ordinary shares in MGT Mining Limited at \$0.05 cents per share, for a total consideration of \$483,756.45 subsequent to financial period end.

Notes to the Financial Statements

For The Half-Year Ended 31 December 2011

11. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Transactions with related parties

	Consolidated 31 December 2011 \$	Consolidated 30 June 2011 \$
Loan to directors		
Beginning of the year	-	-
Loan advanced	-	74,500
Loan repayments received	-	(74,500)
Interest charged	-	-
End of the year	-	-
Loan from directors		
Beginning of the year	828,483	400,000
Loan advanced	-	424,483
Loan repayments (i)	(424,483)	-
Interest paid	-	(16,000)
Interest accrued (ii)	18,000	20,000
End of the year	422,000	828,483

- (i) During the half-year loans previously advanced by Directors of the parent entity, MGT Resources Limited amounting to \$424,483 were fully repaid.
- (ii) The parent entity, MGT Resources Limited issued convertible notes to Jonathan Back with a principal amount of \$400,000 and a term of 2 years at 9% interest on 29 June 2010. The notes are convertible into 6,400,000 ordinary shares in the parent entity. On 29 February 2012 Jonathan Back exercised his right to convert 400,000 convertible notes into fully paid ordinary shares in the capital of MGT Resources Limited.

Notes to the Financial Statements

For The Half-Year Ended 31 December 2011

11. SHARE-BASED PAYMENT

As at 31 December 2011, the Company has 20,000,000 share options outstanding to senior executives, directors and other parties. The following share-based payment arrangements were issued during the financial period:

Option series	No. of options	Grant date	Expiry date	Exercise price (\$)	Fair value at grant date (\$)
A	300,000	17 October 2011	17 October 2014	0.3000	0.1109
B	1,200,000	25 November 2011	25 November 2014	0.2000	0.1262
C	2,250,000	25 November 2011	25 November 2014	0.3000	0.1102

In accordance with the terms of the share-based arrangement, options issued during the half-year ended 31 December 2011, vest at the date of their issue.

Movements in share options during the year

The following reconciles the share options outstanding at the beginning and end of the year:

	<u>31 December 2011</u>		<u>30 June 2011</u>	
	No. of options	Weighted average exercise price \$	No. of options	Weighted average exercise price \$
Balance at beginning of year	16,250,000	0.1518	3,500,000	0.4800
Granted during the year	3,750,000	0.2875	750,000	0.2500
Granted via 4 for 1 share split			12,000,000	0.1354
Forfeited during the year	-	-	-	-
Exercised during the year	-	-	-	-
Expired during the year	-	-	-	-
Balance at end of the year	<u>20,000,000</u>	0.2242	<u>16,250,000</u>	0.1518
Exercisable at end of year	-	-	-	-

Notes to the Financial Statements

For The Half-Year Ended 31 December 2011

12. Borrowings

The parent entity, MGT Resources Limited issued convertible notes to Armstrong Industries HK Limited on 11 November 2011 with a principal amount of \$1,500,000 and a term of 2 years. Interest on the convertible note is payable at the rate of 8% per annum. The convertible notes may be redeemed or converted into 10,000,000 ordinary shares in the parent entity if the share price is 15 cents per share or less at maturity.

The convertible notes have been accounted for in accordance with AASB 139: Financial Instruments: Recognition and Measurement. Both a liability and an equity instrument have been recognised as at 31 December 2011. An amount of \$1,475,377, being the present value of the convertible note has been recognised as a liability and \$26,387 has been recognised as share option reserve in equity.



Independent Auditor's Review Report to the members of MGT Resources Limited

Report on the Condensed Half-year Financial Report

We have reviewed the accompanying half-year financial report of MGT Resources Limited and its controlled entity, which comprises the statement of financial position as at 31 December 2011 and statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, other selected explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year ended 31 December 2011.

Directors' responsibility for the half-year financial report

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes: establishing and maintaining internal controls relevant to the preparation and fair presentation of the half-year financial report that it is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements *ASRE 2410 Review of Interim and Other Financial Reports Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and its performance for the half-year ended on that date; and complying with Accounting Standard *AASB 134 Interim Financial Reporting and the Corporations Regulations 2001*. As the auditor of MGT Resources Limited and its controlled entities during the half-year ended 31 December 2011, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Our responsibility is to express an opinion on the financial report based on our audit.



Independence

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

Auditor's Opinion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of MGT Resources Limited and its controlled entities is not in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and of its performance for the half-year ended on that date; and
- (ii) complying with Accounting Standard AASB 134 Interim Financial Reporting and the *Corporations Regulations 2001*.

DUNCAN DOVICO CHARTERED ACCOUNTANTS

Rosemary Megale
Partner

Dated in Sydney, this 14th March 2012