MGT Mining Limited

The issue of ordinary shares and options to Niflheim Resources Pte Ltd in satisfaction of conditional secured convertible note and part repayment of loan to controlling shareholder

Independent Expert's Report
and Financial Services Guide

1 June 2017

In our opinion:

- **the Proposed Transaction is fair and reasonable to the non-associated shareholders.**
- **AVW will receive a net benefit from the Collateral Benefit**

FINANCIAL SERVICES GUIDE

Dated: 1 June 2017

What is a Financial Services Guide ("FSG")?

This FSG is designed to help you decide whether to use any of the general financial product advice provided by Nexia Sydney Corporate Advisory Pty Ltd ABN 68 114 696 945 ("NSCA"), a corporate authorised representative of Nexia Sydney Financial Solutions Pty Ltd ("NSFS"), Australian Financial Services Licence Number 247300 ("AFSL").

This FSG includes information about:

- NSCA and how they can be contacted
- the services NSCA is authorised to provide
- how NSCA are paid
- any relevant associations or relationships of NSCA
- how complaints are dealt with as well as information about internal and external dispute resolution systems, and how you can access them; and
- the compensation arrangements that NSCA has in place.

Where you have engaged NSCA we act on your behalf when providing financial services. Where you have not engaged NSCA, NSCA acts on behalf of our client when providing these financial services and are required to provide you with a FSG because you receive a report or other financial services from NSCA.

Financial Services that NSCA is authorised to provide

NSCA is a corporate authorised representative of NSFS, which holds an AFSL authorising it to provide, amongst other services, financial product advice for securities and interests in managed investment schemes, including investor directed portfolio services, to retail clients.

We provide financial product advice when engaged to prepare a report in relation to a transaction relating to one of these types of financial products.

NSCA's responsibility to you

NSCA has been engaged by the independent directors of MGT Mining Ltd ("MGTM" or the "Client") to provide general financial product advice in the form of an independent expert's report to be included in the Notice of Shareholder's Meeting ("Document") sent to MGTM's shareholders dated on or about 31 May 2017 ("Report").

You have not engaged NSCA directly but have received a copy of the Report because you have been provided with a copy of the Document. NSCA or the employees of NSCA are not acting for any person other than the Client.

NSCA is responsible and accountable to you for ensuring that there is a reasonable basis for the conclusions in the Report.

General Advice

As NSCA has been engaged by the Client, the Report only contains general advice as it has been prepared without taking into account your personal objectives, financial situation or needs.
You should consider the appropriateness of the general advice in the Report having regard to your circumstances before you act on the general advice contained in the Report.

You should also consider the other parts of the Document before making any decision in relation to the Scheme.

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NSCA charges fees for preparing Reports. These fees will usually be agreed with, and paid by the Client. Fees are agreed on either a fixed fee or a time cost basis. In this instance, the Client has agreed to pay NSCA $11,000 (excluding GST and out of pocket expenses) for preparing the Report. NSCA and its officers, representatives, related entities and associates will not receive any other fee or benefit in connection with the provision of this Report.

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NSCA does not pay commissions or provide any other benefits to any person for referring customers to them in connection with a Report.

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Through a variety of corporate and trust structures NSCA is controlled by and operates as part of the Nexia Sydney Partnership. NSCA's directors and authorised representative may be partners in the Nexia Sydney Partnership. Mr Brent Goldman, authorised representative of NSFS and partner in the Nexia Sydney Partnership, has prepared this Report. The financial product advice in the Report is provided by NSCA and not by the Nexia Sydney Partnership.

From time to time NSCA, the Nexia Sydney Partnership and related entities ("Nexia entities") may provide professional services, including audit, tax and financial advisory services, to companies and issuers of financial products in the ordinary course of their businesses.

Over the past two years $43,000 (excluding GST) in professional fees has been received from the Client or its related entities for the preparation of independent expert reports.

No individual involved in the preparation of this Report holds a substantial interest in, or is a substantial creditor of, the Client or has other material financial interests in the Proposed Transaction.

Complaints Resolution

If you have a complaint, please let NSFS know. Formal complaints should be sent in writing to:

Nexia Sydney Financial Solutions Pty Ltd
Head of Compliance
PO Box H195
Australia Square NSW 1215

If you have difficulty in putting your complaint in writing, please telephone the Complaints Officer, Craig Wilford, on +61 2 9251 4600 and he will assist you in documenting your complaint.

Written complaints are recorded, acknowledged within 5 days and investigated. As soon as practical, and not more than 45 days after receiving the written complaint, the response to your complaint will be advised in writing.

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If NSFS cannot resolve your complaint to your satisfaction within 45 days, you can refer the matter to the Financial Ombudsman Service ("FOS"). FOS is an independent company that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial services industry.

Further details about FOS are available at the FOS website www.fos.org.au or by contacting them directly at:

Financial Ombudsman Service Limited
GPO Box 3, Melbourne Victoria 3001

Telephone:	1300 56 55 62
Facsimile	(03) 9613 6399
Email:	info@fos.org.au

The Australian Securities and Investments Commission also has a free call infoline on 1300 300 630 which you may use to obtain information about your rights.

Compensation Arrangements

NSCA has professional indemnity insurance cover as required by the Corporations Act 2001(Cth).

Contact Details

You may contact NSCA at:

Nexia Sydney Corporate Advisory Pty Ltd
PO Box H195
Australia Square NSW 1215

1 June 2017

The Directors
MGT Mining Limited
Suite 13.05, Level 13
109 Pitt St,
Sydney NSW 2000

Dear Sirs / Madams,

Independent Expert's Report on the issue of ordinary shares and options to Niflheim Resources Pte Ltd in satisfaction of conditional secured convertible note and part repayment of loan to controlling shareholder

1. INTRODUCTION

1.1 Outline of transaction

On 24 March 2017, Avira Energy Ltd ("AVW") announced that its subsidiary, MGT Mining Ltd ("MGTM"), had entered into a $1,800,000 conditional secured converting note and option agreement ("Agreement") with Niflheim Resources Pte Ltd ("Niflheim").

Under the terms of the Agreement, the note will automatically be converted into 320,659,900 fully paid ordinary shares in MGTM upon shareholder approval. The note incurs interest at 10% per annum for the first two months and then 15% per annum thereafter.

Niflheim will also receive 70 million options. No consideration is payable for the options and the options are exercisable at $0.00561 a share, and have a five year term.

The Agreement is conditional upon:

- shareholder and regulatory approvals; and
- MGTM paying $100,000 to AVW and subsequently procuring forgiveness of the intercompany loan between MGTM and AVW to a balance of $850,000.

(The above represents the "Proposed Transaction")

At 31 March 2017, MGTM owed AVW $8.34 million. The remaining $850,000 after the debt forgiveness is due and payable within 90 days either through repayment in cash or the transfer of MGTM's gold assets to AVW as full settlement (the "Collateral Benefit").

The proceeds raised under the Agreement will be used to repay the $1.5 million secured loan from Taimetco International Co., Limited ("Taimetco"). On 30 March 2017 MGTM announced a variation to the agreement with Taimetco, whereby MGTM will pay $945,000 on or before 31 March 2017 and $750,000 and all other moneys payable on or before 30 April 2017 (inclusive of interest). Interest will continue to accrue at 6.5% on the amount outstanding. On 6 April 2017 the Taimetco loan was repaid in full from the proceeds of the note issued to Niflheim.

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In addition to the above MGTM will pay Niflheim's nominees a 1% management fee and 5% capital raising fee on funds raised and Niflheim will appoint two executive directors to MGTM's board and all but one of the existing directors of MGTM will resign.

After the Proposed Transaction Niflheim will hold a 75% interest in MGTM (78.52% on a fully diluted basis).

1.2 Purpose of Report

The purpose of this Report is to advise the shareholders of MGTM on the fairness and reasonableness of the Proposed Transaction.

Under s606 of the Corporations Act, a transaction that would result in an entity and its associates increasing their voting power in an entity from:

- 20% or below to greater than 20%; or
- a position above 20% and below 90%

is prohibited without making a takeover offer to all shareholders, unless an exemption applies.

On conversion of the notes, Niflheim's voting power in MGTM will be 75% and if the options are exercised 78.52%. This transaction would typically fall under the prohibitions of s606 of the Corporations Act, however item 7 of s611 provides an exemption from the above if the transaction is approved by shareholders at a general meeting.

The Australian Securities and Investments Commission ("ASIC") has issued Regulatory Guide 74: Acquisitions approved by members ("RG74") that sets out the material disclosure requirements to shareholders when seeking their approval under item 7 of s611 of the Corporations Act. As part of the disclosure requirements, ASIC requires a detailed analysis of the transaction that complies with Regulatory Guide 111: Content of experts Report ("RG111"). This can either be undertaken by the directors if they believe they have sufficient skill and expertise or an independent expert.

Our report also considers any net benefit to AVW through the part repayment of the loan either in cash or by the transfer of MGTM's gold assets.

Under s602(c) of the Corporations Act, requires holders of the relevant class of voting shares or interests all to have a reasonable and equal opportunity to participate in any benefits accruing to the holders through any proposal under which a person would acquire a substantial interest in the company.

Takeovers Panel Guidance Note 21 – Collateral Benefits ("GN21") notes that a collateral benefit will not necessarily offend the equity principle outlined in s602(c) but that, *prima facie*, a benefit offends the equity principle if it is a net benefit. GN21 further sets out a number of ways in which it can be established that there is no net benefit including an expert's opinion about whether there is no net benefit. GN21 also notes that an expert's opinion about whether there is a net benefit should meet the standards of RG111.

The Directors have appointed Nexia Sydney Corporate Advisory Pty Ltd as independent expert for the purposed of the Proposed Transaction.

2. SUMMARY IN RELATION TO THE PROPOSED TRANSACTION

This section is a summary of our opinion and cannot substitute for a complete reading of this Report. Our opinion is based solely on information available as at the date of this Report.

The principal factors that we have considered in forming our opinion are summarised below.

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2.1 Assessment of fairness of the Proposed Transaction

As discussed in section 3, in determining whether the Proposed Transaction is fair to the non-associated shareholders of MGTM, we have compared the fair value of a share in MGTM on a control basis prior to the Proposed Transaction to the fair value of a share in MGTM on a minority basis after the Proposed Transactions. This is summarised below:

$	Low	Preferred	High
Fair value of a share in MGTM on a control basis prior to the Proposed Transaction	$0.0000	$0.0000	$0.0000
Fair value of a share in MGTM on a minority basis after the Proposed Transaction	$0.0005	$0.0036	$0.0066

As the fair value of a single MGTM share on a minority basis after the Proposed Transaction is greater than the fair value of a single MGTM share on a control basis prior to the Proposed Transaction, **we have concluded that the Proposed Transaction is fair**.

2.2 Assessment of reasonableness of the Proposed Transaction

In accordance with RG 111, a transaction is reasonable if:

- the transaction is fair; or
- despite not being fair, but considering other significant factors, shareholders should obtain an overall benefit if the transaction proceeds.

In forming our opinion we have considered the following relevant factors (see section 8).

Advantages	Disadvantages
• Funding will be received to repay maturing debt • The majority of debt payable to AVW will be forgiven significantly reducing MGTM's net liability position • Funding will potentially be available to develop MGTM's exploration assets	• Niflheim will have a 75% interest (78.52% on exercise of the options) and the right to appoint the majority of directors giving Niflheim control of MGTM • Some of the existing tax losses may be utilised on the forgiveness of the debt

The Directors have advised us that there are currently no other alternatives to the Proposed Transaction. If the Proposed Transaction is not approved, this would trigger a default event on the funds drawn down under the Agreement. In the event of default, Niflheim are able to demand payment under the note. If this occurs, the Directors have advised that MGTM would be required to enter voluntary administration.

As the Proposed Transaction is fair, and taking into consideration the matters above, **we have concluded that the Proposed Transaction is reasonable**.

2.3 Opinion on Proposed Transaction

In our opinion, the Proposed Transaction is fair and reasonable to the non-associated shareholders of MGTM.

The ultimate decision on whether to approve the Proposed Transaction should be based on shareholders' own assessment of their circumstances. We strongly recommend that shareholders consult their own professional advisers, carefully read all relevant documentation provided, including the Notice of Shareholders Meeting, and consider their own specific circumstances before voting in favour of or against the Proposed Transaction.

3. SUMMARY IN RELATION TO THE COLLATERAL BENEFIT

This section is a summary of our opinion and cannot substitute for a complete reading of this Report. Our opinion is based solely on information available as at the date of this Report.

The principal factors that we have considered in forming our opinion are summarised below.

3.1 Assessment of the Collateral Benefit

In determining whether or not AVW will receive a net benefit from the Collateral Benefit we have considered AVW's position regarding the recoverability of amounts owed from MGTM prior to the Proposed Transaction to its position after the provision of the Collateral Benefit.

We summarise the position below:

	Low	Mid	High
AVW position prior to the Collateral Benefit	-	1,556,686	3,287,307
Position after the Collateral Benefit	450,000	950,000	1,450,000
Net benefit	**450,000**	**-**	**-**

The analysis above identifies that at the low valuation for the gold assets, AVW receives a net benefit but that under the mid and high valuations of the gold assets, no benefit is received.

In forming our opinion we have considered the following relevant factors (see section 10).

Advantages	Disadvantages
• MGTM will no longer have a significant loan payable on demand outstanding • Following the forgiveness of the debt and Collateral Benefit AVW will only hold ordinary shares and will not have any preferential rights to ordinary shareholders • The Proposed Transaction is fair and reasonable to the non-associated shareholders	• MGTM may no longer hold gold assets with future exploration opportunity

3.2 Opinion on the Collateral Benefit

As AVW receive a net benefit at the low valuation for the tenements, **in our opinion AVW will receive a net benefit from the Collateral Benefit.**

The ultimate decision on whether to approve the Collateral Benefit should be based on shareholders' own assessment of their circumstances. We strongly recommend that shareholders consult their own professional advisers, carefully read all relevant documentation provided, including the Notice of Shareholders Meeting, and consider their own specific circumstances before voting in favour of or against the Collateral Benefit.

Yours faithfully
Nexia Sydney Corporate Advisory Pty Ltd

Brent Goldman
(Authorised Representative of Nexia Sydney Financial Solutions, AFSL 247300)
Director

STRUCTURE OF REPORT

Our Report is set out under the following headings:

APPENDICES

4. BASIS OF EVALUATION

4.1 Evaluation of the Proposed Transaction

RG74 and RG111 provide guidance as to matters that should be considered in determining whether a transaction is fair and reasonable in a range of circumstances.

RG74 and RG111 state that in deciding an appropriate form of analysis, the expert needs to consider that the main purpose of the Report is to deal with the concerns that could reasonably be anticipated by those persons affected by the transaction. An expert should focus on the purpose and outcome of the transaction; that is the substance of the transaction, rather than the legal mechanism used to effect the transaction.

RG111 requires analysis of a transaction under two distinct criteria being:

- is the offer 'fair'?; and
- is it reasonable?

That is the opinion of fair and reasonable is not considered as a compound phrase.

In determining what is fair and reasonable for a control transaction, RG111 states that:

- an offer is fair if the value of the offer price or consideration is equal to or greater than the value of the securities the subject of the offer, assuming a 100% interest of the target and irrespective of whether consideration is cash or scrip; and
- an offer is reasonable if it is fair, or if the offer is not fair, the expert believes that there are sufficient reasons for security holders to accept the offer in the absence of a higher bid before the close of an offer.

In determining whether the transaction is fair, the fair value is assumed to be based on a knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm's length.

For the purpose of considering whether or not the Proposed Transaction is fair we have compared the fair value of a share in MGTM on a control basis prior to the Proposed Transaction to the fair value of a share in MGTM on a minority basis after the Proposed Transaction.

In our assessment of the reasonableness of the Proposed Transaction, our consideration has included the following matters:

- Niflheim's pre-existing voting power in securities in MGTM;
- other significant security holding blocks in MGTM;
- the liquidity of the market in MGTM's securities;
- taxation losses, cash flow or other benefits through achieving 100% ownership of MGTM;
- any special value to Niflheim, such as technology, the potential to write-off outstanding loans from MGTM, etc;
- the likely market price if the Proposed Transaction does not proceed;
- the value to an alternate bidder and the likelihood of an alternative bid being made;
- other significant matters set out in section 9.3.

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4.2 Evaluation of the Collateral Benefit

GN21 sets considerations as to whether or not there is a net benefit. It notes that the net benefit is assessed by reference to the commercial balance of advantages flowing to and from the security holder. It assessed as a 'holistic' rather than 'atomistic' approach.

GN21 further notes factors to consider include:

- the substance and commercial reality of the transaction
- the context in which the benefit is given or the consideration is given up
- the overall effect of the transaction
- an objective assessment of the transaction (rather than the parties intentions)

We have further considered the guidance in respect of collateral benefits in Regulatory Guide 9 Takeover bids ("RG9").

4.3 Individual shareholders' circumstances

The ultimate decision whether to approve the Proposed Transaction should be based on each shareholder's assessment of the Proposed Transaction, including their own risk profile, liquidity preference, tax position and expectations as to value and future market conditions. If in doubt about the Proposed Transaction or matters dealt with in this Report, shareholders should seek independent professional advice.

4.4 Limitations on reliance on information

The documents and information relied on for the purposes of this Report are set out in Appendix B. We have considered and relied upon this information and believe that the information provided is reliable, complete and not misleading and we have no reason to believe that documents and material facts have been withheld. The information provided was evaluated through analysis, enquiry and review for the purpose of forming an opinion as to whether the Proposed Transaction is fair and reasonable to the shareholders. However, we do not warrant that our enquiries have identified or verified all of the matters which an audit or extensive examination might disclose.

We understand the accounting and other financial information that was provided to us has been prepared in accordance with generally accepted accounting principles.

An important part of the information used in forming an opinion of the kind expressed in this Report is the opinions and judgement of Directors and management. This type of information has also been evaluated through analysis, enquiry and review to the extent practical. However, it must be recognised that such information is not always capable of external verification or validation.

NSCA are not the auditors of MGTM. We have analysed and reviewed information provided by the Directors and management of MGTM and made further enquiries where appropriate. Preparation of this Report does not imply that we have in any way audited the accounts or records of MGTM.

In forming our opinion we have assumed:

- matters such as title, compliance with laws and regulations and contracts in place are in good standing and will remain so and that there are no material legal proceedings, other than as publicly disclosed;
- the information set out in the Notice of Shareholder's Meeting to be sent to shareholders is complete, accurate and fairly represented in all material respects; and
- the publicly available information relied upon by NSCA in its analysis was accurate and not misleading.

This Report has been prepared after taking into consideration the current economic and market climate. We take no responsibility for events occurring after the date of this Report which may impact upon this Report or which may impact upon the assumptions referred to in the Report.

5. OVERVIEW OF MGTM

5.1 Corporate History

MGTM is an unlisted public company, headquartered in Sydney, Australia. The company was incorporated on 16 June 2006 under the name of Xtreme Resources Limited, and on 20 September 2010 the company changed its name to MGT Mining Ltd.

In April 2009, AVW acquired a 73.76% interest in MGTM. From FY2012 through FY2013 AVW acquired a further 15.72% interest in MGTM, increasing its total interest to 89.48%. As of 4 April 2017, MGTM had 106,886,708 ordinary shares on issue, with AVW being its largest shareholder.

MGTM has one subsidiary Garimperos Pty Ltd, which is dormant.

5.2 Business Activities

MGTM owns tin mining leases and explorations permits and gold exploration permits, as set out below. Further details of the tenements are set out in Veronica Webster Pty Ltd's geologist reports which are included in appendices E and F.

5.2.1 <u>Mt Garnet Tin Project</u>

The Mt Garnet Project is situated in far North Queensland. The Mt Garnet Projects' primary focus is on tin exploration and mining. The project includes the following tenements:

<u>Summer Hills (ML 20547)</u>

The Summer Hills mining lease is the main tenement of the Mt Garnet Project covering 1,163.4 Ha. The mining lease was granted in late January 2013 for a period of 21 years. Within the Summer Hills Mining Lease sits the Mt Veteran Tin Processing Plant, on its own mining lease, along with numerous tin mining and exploration targets, including the Dalcouth and Extended Prospects.

In 2013 a drilling program focused on the Dalcouth Prospect confirmed tin mineralisation which is suitable for mining and processing at the Mount Veteran Mill. A resource estimation updated was finalised 2016. MGTM announced that 80% of the resource is now classified as Measured Resource and the remainder classified as Indicated Resource in accordance with the 2012 edition of the JORC Code.

The Extended Prospect has a tin mineralised zone that is 5m wide though further exploration is to be completed to better define areas of mineralisation.

During the six months to 31 December 2016, field work was conducted to determine whether a similar model as the Dalcouth Prospect could be applied to the Summer Hill Prospect. This work is still in the preliminary stages.

<u>The Mount Veteran Mill (ML 4349)</u>

The Mount Veteran Mill tenement covers an area of 17.85Ha and includes within it a mill constructed in 1984 with the initial purpose of treating hard rock tin ores from deposits in the area. The lease was granted on 1 April 1985 and expires on 31 March 2027. However, mill operations ceased shortly after the lease was granted due to tin prices declining dramatically during the period from 1984 – 2003. The plant has since been refurbished to process hard rock tin ore. Although not in current operation, the plant is in a reasonable condition and could be brought back into operation quickly, should it be needed.

Nymbool (EPM 16948), including Heads or Tails (ML 20655)

The Nymbool tenement is located north-east of Mount Garnet and within 20km of the Mount Veteran tin processing plant, covering 20 sub-blocks. The major area within the tenement is The Smiths Creek Mine which is a historical tin mine consisting of an open pit and an extensive underground workings. The tin mineralisation is associated with copper sulphide mineralisation. The tenement was renewed on 17 February 2014 for a term of five years.

Heads or Tails lies within Nymbool and was granted on 1 December 2011. The mining lease holds fine tin tailings from the historical tin processing in the Smiths Creek area, however these tailings are considered immaterial to valuations performed on the tenement.

Nanyetta (EPM 25433)

The Nanyetta exploration permit was granted for a period of 5 years on 25 June 2014 and covers 3 sub-blocks.

Nymbool West (EPM 25690)

The Nymbool West exploration permit was granted for a period of 5 years from 30 March 2015 and covers 11 sub-blocks.

Nymbool Extended (EPM 25347)

The Nymbool Extended exploration permit was granted for a period of 5 years from 5 May 2015 and covers 2 sub-blocks.

Fuzzy Hill (EPM 25716)

The Fuzzy Hill exploration permit was granted for a period of 5 years on 30 April 2015 and covers 9 sub-blocks.

5.2.2 The Pyramid Project

The Pyramid Project is located in the Drummond Basin, North Queensland and includes the following tenements:

Pyramid (EPM 12887)

Pyramid covers 12 sub-blocks lying in a major north-east trending belt of mineralisation developed over a strike length of 20km. The Pyramid tenement contains several prospects, including the Gettysburg prospect, where gold is located in epithermal-style quartz veins.

Drilling by MGTM in 2012 and 2015 confirmed that the Pyramid Project has the potential to become a large, low grade gold resource. Further drilling is required to explore extensions to mineralisation, including diamond drill core, which will help develop the geological model and enhance understanding of the controls on mineralisation. Other exploration targets along strike have been identified by soil sampling and require follow-up.

Pyramid 2 (EPM25154)

The Pyramid 2 exploration permit was granted for a period of 5 years from 23 February 2015 and covers 49 sub-blocks.

Pyramid 3 (EPM 19554)

The Pyramid 3 exploration permit was granted for a period of 5 years from 16 December 2014 and covers 14 sub-blocks.

5.2.3 Southern Queensland Project

MGTM has three separate gold prospect areas in Southeast Queensland and it aims to advance these projects with further drilling. Further details regarding these tenements are below:

Yarrol (EPM 8402)

The Yarrol tenement covers 4 sub-blocks and was renewed for a period of three years, expiring on 12 November 2018. The deposits have been extensively drilled over a number of years; however, the resources have been considered too small to be economically viable. It is likely that a gold price of plus USD$1,500/ounce would be required to make this economical, subject to exchange rates.

Mt Steadman (EPM 12834)

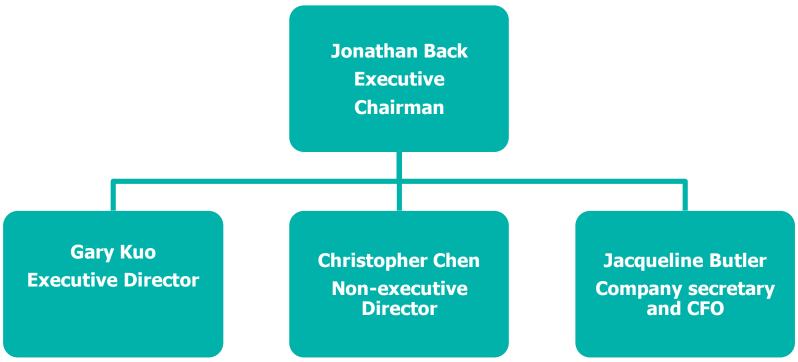
The Mount Steadman prospect covers 4 sub-blocks and was renewed for a period of three years, expiring on 16 December 2018. It belongs to a class of bulk style mineralisation known as intrusion-related gold deposits, which are economically important due to their distinct chemical characteristics. The current estimated resource has been found to be uneconomical under the current gold prices, if trucked to the nearest processing plants.

Gooroolba (EPM 15426)

The Gooroolba prospect covers 30 sub-blocks and is considered prospective for intrusive-related gold and copper mineralisation. MGTM is currently considering further exploration drilling of this area to confirm prospective resources.

5.3 Directors and Key Management

Following is a diagram of the board and management structure of MGTM:



- Anthony Meacham King was appointed as non-executive director on 8 June 2011, and resigned on 31 March 2016.
- Christopher Chen was appointed non-executive director on 30 June 2016

Following the Proposed Transaction, Niflheim will appoint two executive directors and Jonathon Back and Christopher Chen will resign from the MGTM board.

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5.4 Financial Information

The audit report for the years ended 30 June 2014 and 2016 were unmodified, however they contained an emphasis of matter for both financial years regarding the company's ability to continue as a going concern. In both financial years, MGTM had realised net losses and net liabilities and MGTM's ability to continue as a going concern was heavily dependent on continuing financial support from AVW and AVW's ability to raise additional funds.

A disclaimer of opinion was given for the year ended 30 June 2015 and on AVW's consolidated half-year report for the six months to 31 December 2016 as MGTM had a number of immediate financial commitments, including the secured loan from Taimetco, and although negotiations were ongoing, the auditors were unable to obtain sufficient appropriate audit evidence that MGTM would be able to obtain sufficient funding to continue as going concern.

5.4.1 Financial Performance

Set out below are the consolidated profit and loss accounts of MGTM for the years ended 30 June 2014, 2015 and 2016 and the company profit and loss account of MGTM for the six months to 31 December 2016:

$	Note	FY2014 Consolidated	FY2015 Consolidated	FY2016 Consolidated	1H2017 Company
Revenue		-	-	-	-
Cost of Sales		-	-	-	-
Gross Loss		**-**	**-**	**-**	**-**
Investment income	1	2,486	3,711	1,534	743
Other gains and losses	2	11,182	10,958	21,070	-
Employee benefits expense		(470,032)	(114,222)	(40,657)	(19,262)
Depreciation and amortisation expense		(335,014)	(259,838)	(219,151)	(89,391)
Impairment losses	3	(1,336,116)	(5,237,828)	(2,324,374)	(719,373)
Interest expense	4	(293,448)	(465,474)	(575,551)	(319,682)
Administration expense		(202,103)	(159,453)	(129,650)	(58,909)
Assets written off	5	(70,158)	(38,166)	-	-
Other expenses		(471,632)	(472,991)	(288,294)	(140,199)
Loss before tax		**(3,164,835)**	**(6,733,303)**	**(3,555,073)**	**(1,346,074)**
Tax Expense		-	-	-	-
Loss for the period		**(3,164,835)**	**(6,733,303)**	**(3,555,073)**	**(1,346,074)**
Other comprehensive income/(expense)	6	(2,454)	1,132	(1,433)	-
Total comprehensive loss for the period		**(3,167,289)**	**(6,732,171)**	**(3,556,506)**	**(1,346,074)**

Source: MGTM's financial statements for the years ended 30 June 2014, 2015 and 2016 and management accounts for the six months to 31 December 2016.

1. Investment income relates to interest revenue from cash accounts.
2. Other gains and losses relate to fuel rebates and the gain on sale of the disposal of property.
3. The impairment loss recognised in FY2015 was due to an independent valuation of the tin and gold properties carried out by Veronica Webster Pty Ltd in October 2014. An updated valuation performed in February 2016 resulted in further impairment which is reflected in FY2016. As market conditions for tin assets appear to be improving, management considers there to be limited evidence of further impairment in relation to these assets. However, further impairment was recognised on gold assets and property, plant and equipment in December 2016.
4. Interest expense relates to interest charged on both secured and unsecured borrowings.
5. Assets written off relates to exploration and evaluation expenditure incurred on abandoned tenements.
6. Other comprehensive income relates to the movement in fair value of financial assets available for sale.

5.4.2 Financial Position

Set out below are the consolidated balance sheets of MGTM as at 30 June 2014, 2015 and 2016 and the company balance sheet of MGTM as at 31 December 2016:

$	Note	FY2014 Consolidated	FY2015 Consolidated	FY2016 Consolidated	1H2017 Company
Current assets					
Cash and cash equivalents		99,454	106,170	83,441	83,430
Other assets		89,403	68,856	35,822	92,814
Inventories		38,167	-	-	-
Investment in subsidiary	1	-	-	-	1
		227,024	**175,026**	**119,263**	**176,245**
Non-current assets					
Other financial assets		1,909	3,043	1,609	2,832
Exploration and evaluation expenditure	2	8,219,748	3,566,444	1,821,431	1,650,649
Plant & Equipment	2	2,076,487	1,761,486	1,524,995	990,039
		10,298,144	**5,330,973**	**3,348,035**	**2,643,521**
Total assets		**10,525,168**	**5,505,999**	**3,467,298**	**2,819,766**
Current liabilities					
Trade and other payables	3	(1,090,692)	(1,015,266)	(1,198,856)	(1,403,908)
Unsecured borrowings	4	(4,838,709)	(5,071,004)	(6,421,021)	(6,913,186)
Secured borrowings	5	-	-	(1,500,000)	(1,500,000)
Provisions	6	(27,498)	(100,000)	(77,626)	(77,727)
		(5,956,899)	**(6,186,270)**	**(9,197,503)**	**(9,894,821)**
Non-current liabilities					
Secured borrowings	5	-	(1,500,000)	-	-
Provisions	6	(92,502)	(76,132)	(76,132)	(76,132)
		(92,502)	**(1,576,132)**	**(76,132)**	**(76,132)**
Total liabilities		**(6,049,401)**	**(7,762,402)**	**(9,273,635)**	**(9,970,953)**
Net assets		**4,475,767**	**(2,256,403)**	**(5,806,337)**	**(7,151,187)**
Equity					
Contributed equity		14,917,849	14,917,849	14,917,849	14,917,849
Contributions from parent		2,212	1,924	8,497	-
Reserves		(10,863)	(9,731)	(11,165)	(9,941)
Retained earnings/(losses)	7	(10,433,431)	(17,166,445)	(20,721,518)	(22,059,094)
Total equity		**4,475,767**	**(2,256,403)**	**(5,806,337)**	**(7,151,187)**

Source: MGTM's financial statements for the years ended 30 June 2014, 2015 and 2016 and management accounts for the six months to 31 December 2016.

1. The investment in subsidiary represents MGTM's investment in Garimperos Pty Ltd, which is only shown in MGTM's company accounts as it is eliminated in the consolidated financial statements.
2. Exploration assets have been independently valued by Veronica Webster Pty Ltd as at October 2014, February 2016, and 11 April 2017 (see appendix E and F). A review of assets in December 2016 led to the impairment of the tenements and property, plant and equipment.
3. Included within trade creditors is $1.13 million payable to AVW and accrued interest of $170,558 at 1H2017 in respect of the Taimetco loan. The amount payable to AVW primarily relates to management fees payable.
4. MGTM entered into an intercompany loan with AVW on 21 March 2012. Interest is payable at 8% p.a. As at 31 March 2017 the balance of the loan was $7.14 million.
5. On 6 February 2015 MGTM entered into a secured loan agreement with Taimetco. The loan was for a two year term maturing on 31 March 2017. Management has advised that loan (inclusive of interest) was repaid in full through two payment totalling $1,695,534 one on 31 March 2017 for $945,000 and the remainder paid on 6 April 2017.
6. A provision has been made for the repair and maintenance of the tailings storage facility in order to ensure it is compliant with environmental laws. MGTM also recognises that is has an obligation to restore its mine sites to their original condition at the end of the life of the mine. Therefore, a

provision for rehabilitation and restoration has been made. Provisions also includes a provision for employee benefits.

7. As at 30 June 2016, MGTM had brought forward tax losses of $20.7 million.

5.5 Capital Structure and Ownership

MGTM's issued capital as at 4 April 2017 comprised 106,886,708 fully paid ordinary shares. The top 10 shareholders, as at this date held 92.47% of the issued capital of MGTM, as set out below:

Shareholder	Shareholding	% Total
Avira Energy Ltd	95,638,256	89.48%
John Stacpoole	599,426	0.56%
David Hugh Hall	547,302	0.51%
Anthony John Fawdon	505,603	0.47%
Huntley Custodians Ltd	348,229	0.33%
Weir River Consulting	260,620	0.24%
Chetan Enterprises Pty Ltd	250,000	0.23%
Est Darcy Owen	250,000	0.23%
Terra Search Pty Ltd	227,020	0.21%
KJ Harvey & Associates Pty Ltd	211,821	0.20%
Top ten shareholders	**98,838,277**	**92.47%**
Other	8,048,431	7.53%
Total shareholders	**106,886,708**	**100.00%**

Source: Share registry at 4 April 2017

The table below summarises shareholders by size of shareholding at 4 April 2017:

Range	No. of holders	Shares	% of Total
1 – 1,000	1,209	293,886	0.27%
1,001 – 5,000	447	973,191	0.91%
5,001 – 10,000	96	656,376	0.61%
10,001 – 100,000	125	3,636,280	3.40%
100,001 and over	27	101,326,975	94.80%
Total shareholding	**1,904**	**106,886,708**	**100.00%**

Source: Share registry at 4 April 2017

6. INDUSTRY ANALYSIS

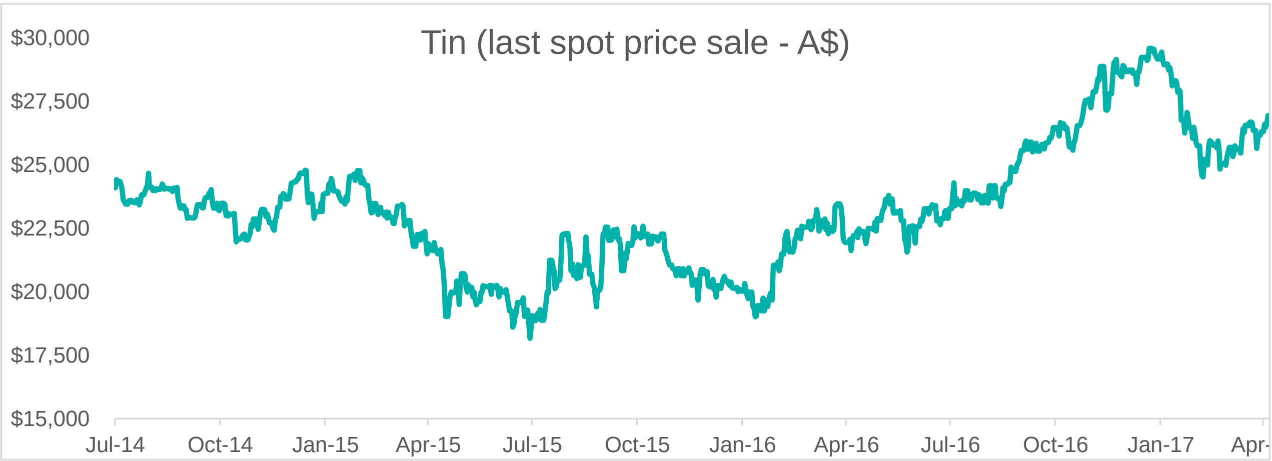
6.1 Tin[1]

Tin is a soft, durable and lightweight metal that is mainly used as an alloying agent with other metals, and as a coating or plating material. It is used to produce tinplate, solder, roofing materials, flashing, gutters and for other building and industrial purposes. Tin use in Australia consists of exports, domestic iron smelters, metal ore processors, steel processors, and battery manufacturers.

Tin falls within the manganese and other mineral mining industry. The industry as a whole is expected to generate revenue of $1.5 billion in 2016-17, declining at an annualised 5.8% over the five years through 2016-17, largely due to falls in world prices of other metals within the industry. This includes a decline of 7.9% in 2016-17 due to lower industry production volumes and weaker export revenues. Tin prices are expected to weaken slightly in 2016-17 also constraining industry revenue growth. Over the next five years, manganese and other mineral mining revenue is forecast to increase at an annualised 3.1% through to 2021-22 to $1.7 billion. Tin will account for 9.2% of industry revenue in 2016-17. This has increased as a proportion of industry revenue in the past five years due to higher output and demand, and more stable pricing compared to manganese.

China is Australia's largest export recipient of manganese and tin, and is expected to account for 46.3% of industry revenue in 2016-17 due to an increase in steel manufacturing levels in China. This upward trend from China is expected to continue to increase over the next five years.

The historical tin price movement from 1 July 2014 is set out below:



[1] IBISWorld Industry Report B0809, Manganese and Other Mineral Mining in Australia, July 2016

6.2 Gold[2,3]

Gold is both a commodity and an international store of monetary value. During periods of weak economic growth and political turbulence, the demand for gold increases as it is seen to be a safe haven investment. This is particularly evident in financial markets since gold is viewed as more resilient and less risky than world currencies. Demand for gold has an inverse relationship with global economic performance, as when the global economy improves, demand for gold and its value decreases. As a result, the onset of the global financial crisis and the recessionary environment that ensued provided a boost for the industry.

Although world gold prices declined significantly from 2013 through 2015, easing off slightly in 2016, the weak Australian dollar limited the industry's decline. As gold is traded in US dollars, the low dollar also benefitted the industry from 2014 through 2015, and will contribute to price increases in Australian dollars in 2016. Overall, in the five years through 2017, industry revenue is expected to increase at an annualised 2.6% through 2017 bringing revenue to $15.5 billion. The value of the Australian dollar will continue to influence the industry over the next five years through 2022. However, rising production costs due for lower ore quality and higher transportation costs will continue to contribute to profit declines over the coming years.

Total global gold production increased in 2016, as an increase in recycled output offset a decline in mine production. World mine production is forecast to increase by 1.7% to just over 3,318 tonnes in 2017, then decline to 3,109 tonnes in 2018. Recycled output increased by 12% year on year, contributing to the overall tonnage each year. Total gold consumption was down 18% during the first half of 2016 compared to the same period in 2011 when consumption was at its peak. World consumption is forecast to increase by 2% a year through 2018.

Australia's gold exploration expenditure increased 19% year on year to $160 million in Q1 of 2016. Exploration expenditure in Australia has been rising steadily since March 2014, motivated by higher profit margins relative to other resources and a strong Australian dollar over most of the last three years. During the back end of 2016, WA remained the largest centre of gold exploration activity, attracting 70% of total national gold exploration activity. Exploration expenditure rose by 51% in NSW. Expenditure in Queensland remained steady, while the Northern Territory declined 28%.

The historical gold price movement from 1 July 2014 is set out below:

2 IBISWorld Industry Report B0804, Gold Ore Mining in Australia, August 2016

3 Resources and Energy Quarterly update, December 2016

7. VALUATION METHODOLOGIES

7.1 Definition of market value

In forming our opinion as to whether or not the Proposed Transaction is fair and reasonable to the MGTM shareholders, we have assessed the value of the issued shares of MGTM on a fair value basis. RG 111 defines fair value as the amount:

"assuming a knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm's length..."

7.2 Selection of Methodology

RG 111 provides guidance on the valuation methods that an independent expert should consider. These methods include:

- the discounted cash flow method and the estimated realisable value of any surplus assets;
- the application of earnings multiples (appropriate to the business or industry in which the entity operates) to the estimated future maintainable earnings or cash flows of the entity, added to the estimated realisable value of any surplus assets;
- the amount that would be available for distribution to security holders on an orderly realisation of assets;
- the quoted price for listed securities, when there is a liquid and active market and allowing for the fact that the quoted price may not reflect their value, should 100% of the securities be available for sale;
- any recent genuine offers received by the target for the entire business, or any business units or assets as a basis for valuation of those business units or assets; and
- the amount that an alternative bidder might be willing to offer if all the securities in the target were available for purchase.

Each methodology is appropriate in certain circumstances. The decision as to which methodology to apply generally depends on the nature of the asset being valued, the methodology most commonly applied in valuing such an asset and the availability of appropriate information.

In determining the fair value of MGTM, we have applied the realisation of assets methodology. We have determined this to be the most appropriate methodology as:

- Exploration companies generally have no history of sustainable profitability. Therefore a capitalisation of earnings approach would not be applicable to MGTM.
- The underlying value of MGTM is found in the mining and exploration tenements, which makes up a significant portion of the company's balance sheet. Therefore the realisation of assets approach is appropriate to MGTM.
- MGTM is an unlisted public company, whose shares are not traded on an exchange. Therefore we cannot consider its traded share price as an available methodology.

8. FAIR VALUE OF A SHARE IN MGTM PRIOR TO THE PROPOSED TRANSACTION

As discussed in section 4, in evaluating the transaction we have considered the fair value of MGTM on a control basis prior to the Proposed Transaction, in accordance with RG 111.

8.1 Realisation of assets of MGTM shares

The realisation of assets value reflects the value of a single MGTM share on a control basis. The concept of control reflects a shareholder's interest in a company, where that shareholder has, amongst other things, advantages such as the ability to exert influence over the strategic direction and cash flow of a company.

The fair value of a share in MGTM based on the realisation of assets methodology is set out below:

$	Note	Low	Preferred	High
Net liabilities at 31 December 2016		(7,151,187)	(7,151,187)	(7,151,187)
Adjustments:				
Adjustment to tenement value:				
Carrying value of tenements		(1,650,649)	(1,650,649)	(1,650,649)
Fair value of tenements	1	350,000	2,100,000	3,850,000
		(1,300,649)	449,351	2,199,351
Adjustment to amounts owed to AVW:				
Amount owed at 31 Dec 2016		8,046,186	8,046,186	8,046,186
Amount owed at 31 Mar 2017	2	(8,343,679)	(8,343,679)	(8,343,679)
		(297,493)	(297,493)	(297,493)
Adjusted Net Liabilities		**(8,683,329)**	**(6,933,329)**	**(5,183,329)**
Shares on issue		106,886,708	106,886,708	106,886,708
Value per share	**3**	**$0.0000**	**$0.0000**	**$0.0000**

1. Veronica Webster Pty Ltd conducted an independent valuation of the tenements as at 11 April 2017. A copy of the valuations are attached in appendix E and F. The tenement values are summarised below:

Projects:	Low	Preferred	High
Mt Garnet Tin Project	-	1,250,000	2,500,000
Pyramid Project and South Queensland Project	350,000	850,000	1,350,000
	350,000	**2,100,000**	**3,850,000**

2. At 31 March 2017, the amounts MGTM's owed to AVW under the intercompany loan agreement and through trade creditors had increased to $8.34 million.
3. As MGTM has net liabilities, no value can be attributed to MGTM's shares.

8.2 Conclusion on fair value of a controlling interest in MGTM prior to the Proposed Transaction

In determining the fair value of a controlling interest in MGTM before the Proposed Transaction by using the realisation of assets method, we have concluded that no value can be attributed to a MGTM share.

9. ASSESSMENT OF THE PROPOSED TRANSACTION

9.1 Fair value assessment of a minority interest in MGTM after the Proposed Transaction

To determine the fair value of a minority interest per share after the Proposed Transaction we have considered the fair value determined above, adjusted by the Proposed Transaction. Based on this, we have determined the fair value of a single share in MGTM after the Proposed Transaction as follows:

$	Note	Low	Preferred	High
Adjusted net liabilities as at 31 December 2016 (see above)		(8,749,329)	(6,999,329)	(5,249,329)
Adjustments:				
Cash received under the Proposed Transaction	1	1,800,000	1,800,000	1,800,000
Interest payable on Taimetco loan since 31 December 2016	2	(24,976)	(24,976)	(24,976)
Forgiveness of amounts owed to AVW	3	7,393,679	7,393,679	7,393,679
Fair value of options	4	-	-	-
Transaction costs in relation to capital raising	5	(108,000)	(108,000)	(108,000)
Interest payable on Niflheim notes to conversion	6	(28,250)	(28,250)	(28,250)
Adjusted Net Assets		**283,124**	**2,033,124**	**3,783,124**
Minority discount	7	25%	25%	25%
Fair value of MGTM on a minority basis		**212,343**	**1,524,843**	**2,837,343**
Shares on issue		106,886,708	106,886,708	106,886,708
Shares issued to Niflheim	8	320,659,900	320,659,900	320,659,900
Total shares on issue after the Proposed Transaction		**427,546,608**	**427,546,608**	**427,546,608**
Value per share on a minority basis		**$0.0005**	**$0.0036**	**$0.0066**

1. Under the Proposed Transaction, MGTM will receive $1.8 million from Niflheim in accordance with the convertible note and option agreement. The cash received will be used to repay the Taimetco loan of $1.5 million plus accrued interest of $195,534 and $100,000 paid towards settlement of the loan with AVW.
2. Since 31 December 2016, a further $24,976 of interest was incurred on the Taimetco loan. Interest was charged at the rate of 6.5% over 2 years.
3. From the $1.8 million received, $100,000 was transferred to AVW to reduce the intercompany loan on 4 April 2017. The Proposed Transaction is conditional upon the loan to AVW being forgiven to a remaining balance of $850,000. As at 31 March 2017, MGTM owed AVW $7.14 million under the loan and owed approximately $1.2 million in trade creditors, which we understand will also be forgiven. A total loan forgiveness of approximately $7.39 million, after the repayment of $100,000. MGTM has received advice that there will be no tax consequences to MGTM of the debt forgiveness due to available tax losses.
4. The value of the 70 million options provided to Niflheim as part of the Proposed Transaction has been determined using the Black-Scholes pricing model. The key assumptions applied are set out below:
   - Fair value of a share in MTGM $0.0000
   - 5 year volatility 137.3%
   - Australian Government 5 year debt 2.01%
   - Exercise price $0.00561

5. MGTM will pay Niflheim's nominees a 1% management fee and 5% capital raising fee on funds raised.
6. In order to repay the Taimetco loan, funds have been drawn down under the Agreement. Interest is payable on the amounts drawn down at 10% for the first two months from the note drawdown date, then 15% thereafter. The interest above is based on a drawdown of $950,000 in March 2017 and a further drawdown of $750,000 as the beginning of April 2017, with the conversion of the note to shares occurring at the beginning of June 2017.
7. As the net asset valuation reflects the fair value on a control basis, a minority discount has been applied to determine the value of MGTM on a minority basis.
8. Under the Proposed Transaction, MGTM will issue 320,659,900 ordinary shares to satisfy the convertible note.

9.2 Conclusion as to fairness of the Proposed Transaction

As discussed in section 4, in determining whether the Proposed Transaction is fair to the MGTM shareholders, we have compared the fair value of a single MGTM share on a control basis prior to the Proposed Transaction to the fair value of a single MGTM share on a minority basis after the Proposed Transaction. This is summarised below:

$	Low	Preferred	High
Fair value of a share in MGTM on a control basis prior to the Proposed Transaction	$0.0000	$0.0000	$0.0000
Fair value of a share in MGTM on a minority basis after the Proposed Transaction	$0.0005	$0.0036	$0.0066

As the fair value of a single MGTM share on a minority basis after the Proposed Transaction is greater than the fair value of a single MGTM share on a control basis prior to the Proposed Transaction, **we have concluded that the Proposed Transaction is fair**.

9.3 Assessment of reasonableness of the Proposed Transaction

9.3.1 Approach to assessing Reasonableness

In forming our conclusions in this Report, we have compared the advantages and disadvantages to shareholders if the Proposed Transaction proceeds.

9.3.2 Advantages of the transaction

We outline below potential advantages of the Proposed Transaction:

Advantage	Explanation
Funding will be received to repay maturing debt	Niflheim has invested $1.8 million cash into MGTM which has been used to repay the Taimetco secured loan of $1.5 million plus interest of $195,534. The Taimetco secured loan was due and payable on 31 March 2017.
The majority of debt payable to AVW will be forgiven significantly reducing MGTM's net liability position	As at 31 March 2017, MGTM owed $7.14 million to AVW in accordance with an intercompany loan agreement, plus approximately $1.2 million of trade creditors. As part of the Proposed Transaction, AVW has agreed to forgive a significant portion of this debt, to the point that only $850,000 remains. This, plus the conversion of Niflheim's note or ordinary shares, will eliminate MGTM's debt completely and significantly reduce MGTM's net liability position.
Funding will potentially be available to develop MGTM's exploration assets	Through having Niflheim as a major shareholder, MGTM will have access to further investment to carry out exploration activity on its assets.

9.3.3 Disadvantages of the transaction

We outline following the potential disadvantages of the Proposed Transaction:

Disadvantage	Explanation
Niflheim will have a 75% interest (78.53% on exercise of the options) and the right to appoint the majority of directors giving Niflheim control of MGTM	The effect of the Proposed Transaction would be that AVW's interest in MGTM would decrease from 89.48% to 19.22% and Niflheim's interest would increase from 0% to 78.52%, on a fully diluted basis. In addition to this, Niflheim will also be appointing two executive directors to the board of MGTM, and will be running the day to day operations.
Some of the existing tax losses may be utilised on the forgiveness of the debt	MGTM had tax losses of $20.7 million at 30 June 2016. As part of the Proposed Transaction, MGTM will have approximately $8.3 million (based on balances at 31 March 2017) of debt forgiven that may utilise these losses.

9.3.4 Alternative to the Proposed Transaction

The Directors have advised us that there are currently no other alternatives to the Proposed Transaction.

9.3.5 Implications of the Proposed Transaction not proceeding

If the Proposed Transaction is not approved, the conditional converting note will not convert into MGTM ordinary shares and the $1.8 million will become due and payable. The Directors have advised us that if this occurred, MGTM would be required to enter voluntary administration.

9.4 Conclusion as to Reasonableness of Proposed Transaction

In accordance with RG 111, a transaction is reasonable if:

- the transaction is fair; or
- despite not being fair, but considering other significant factors, shareholders should obtain an overall benefit if the transaction proceeds.

As the Proposed Transaction is fair and, taking into account other significant factors, **we have concluded that the Proposed Transaction is reasonable.**

9.5 Opinion on Proposed Transaction

Accordingly, in our opinion, the Proposed Transaction is fair and reasonable to the non-associated shareholders of MGTM.

The ultimate decision on whether to approve the Proposed Transaction should be based on shareholders' own assessment of their circumstances. We strongly recommend that shareholders consult their own professional advisers, carefully read all relevant documentation provided, including the Notice of Shareholder Meeting, and consider their own specific circumstances before voting in favour of or against the Proposed Transaction.

10. ASSESSMENT OF THE COLLATERAL BENEFIT

10.1 Description of the Collateral Benefit

The Proposed Transaction is conditional upon MGTM paying $100,000 to AVW and AVW subsequently procuring forgiveness of the inter-company loan between to MGTM and AVW to a balance of $850,000. The balance of $850,000 is due and payable within 90 days either through the repayment of cash or through the transfer of MGTM's gold assets to AVW as full settlement.

As at 31 March 2017, MGTM owed AVW $8.34 million. Of this amount $7.1 million was owed under a loan agreement, which is varied under the conditions of the Proposed Transaction, and the remaining $1.2 million was included within trade creditors.

Key terms in respect of the original loan agreement dated 21 March 2012 are:

- interest is accrued on the outstanding principal daily and is payable quarterly unless AVW agrees to capitalise the amount to the loan
- all amounts under the loan agreement are due and payable on demand unless otherwise specified
- all loan repayments are required to be made in cash
- AVW's loan to MGTM is unsecured
- all amounts become due and payable on demand in the event that AVW is unable to pay debts when they fall due

The original agreement was amended on 11 May 2017 such that the repayment of the loan can be made in cash or through the transfer of MGTM's gold assets. It further notes that no further interest is payable on the $850,000 and that the transfer of MGTM's gold assets will constitute a full settlement of the outstanding loan.

10.2 Assessment of the Collateral Benefit

10.2.1 AVW's position prior to the Collateral Benefit

In determining whether or not AVW has received a net benefit we have considered the position of AVW before entering into the agreement with Niflheim to AVW's position after entering the agreement with Niflheim on which the amendments in the loan agreement between AVW and MGTM were conditional.

We have considered the position as follows:

	Note	Low	Mid	High
Total assets of MGTM at 31 December 2016	**1**	**2,819,766**	**2,819,766**	**2,819,766**
Adjust for market value of tenements				
- carrying value	2	(1,650,649)	(1,650,649)	(1,650,649)
- fair value of tenements	2	350,000	2,100,000	3,850,000
Available to creditors		**1,519,116**	**3,269,116**	**5,019,116**
Secured creditor				
Taimetco	3	(1,695,000)	(1,695,000)	(1,695,000)
Amount available to unsecured creditors	**4**	**-**	**1,574,116**	**3,324,116**
Unsecured dividend allocation				
AVW – 98.9% pro rata	5	-	1,556,686	3,287,307
Other creditors – 1.1% pro rata	5	-	17,431	36,809
		-	1,574,116	3,324,116

Notes:

1. This reflects the total assets of MGTM as set out in section 5.4.2
2. Veronica Webster Pty Ltd conducted an independent valuation of the tenements as at 11 April 2017. A copy of the valuations are attached in appendix E and F. The tenement values are summarised below:

Projects:	Low	Preferred	High
Mt Garnet Tin Project	-	1,250,000	2,500,000
Pyramid Project and South Queensland Project	350,000	850,000	1,350,000
	350,000	**2,100,000**	**3,850,000**

3. A total of $1,695,000 was paid in settlement of the Taimetco loan. This loan was secured over the assets of MGTM and immediately prior to the Proposed Transaction would have ranked in payment ahead of any returns to AVW on its unsecured lending.
4. MGTM has no employees therefore, the residual amount is considered payable to the unsecured creditors on a pro rata basis.
5. As at 31 March 2017, MGTM had the following unsecured creditors:

	%	$
AVW loan agreement		7,144,922
AVW trade creditors		1,199,000
Total owed to AVW	**98.9%**	**8,343,922**
Other unsecured creditors	1.1%	93,430
		8,437,352

Source: MGTM's unaudited management accounts

10.2.2 Conclusion as to net benefit

We summarise the position in relation to the collateral benefit to AVW below:

		Low	Mid	High
AVW position prior to the Collateral Benefit		-	1,556,686	3,287,307
Position after the Collateral Benefit				
Initial repayment	1	100,000	100,000	100,000
Repayment of loan or transfer of gold assets	2	350,000	850,000	1,350,000
		450,000	950,000	1,450,000
Net benefit	**3**	**450,000**	**-**	**-**

Notes

1. As part of the Proposed Transaction, AVW received $100,000 of the loan repaid in cash.
2. In considering the potential benefit received by AVW we have considered the low, mid and high valuation of the gold assets under the Veronica Webster valuation.

The analysis above identifies that at the low valuation for the gold assets, AVW receives a net benefit but that under the mid and high valuations of the gold assets, no benefit is received.

10.3 Other matters relevant to the Collateral Benefit

In forming our conclusions in this Report, we have compared the advantages and disadvantages to shareholders if the Collateral Benefit is provided.

10.3.1 Advantages of the provision

We outline below potential advantages of the Collateral Benefit:

Advantage	Explanation
MGTM will no longer have a significant loan payable on demand outstanding	The loan from AVW is repayment on demand from AVW. As such AVW is in a position to place MGTM under financial pressure to recover its loan. After the forgiveness of the loan and trade creditors, AVW will no longer be in a position to do this.
Following the forgiveness of the debt and Collateral Benefit AVW will only hold ordinary shares and will not have any preferential rights to ordinary shareholders	With the trade creditor and loan in place, AVW is in a preferential position to other shareholders on any return of capital. Following the debt forgives and the Collateral Benefit, AVW will be in the same position as other shareholders.
The Proposed Transaction is fair and reasonable to the non-associated shareholders	As set out in section 9 we have concluded that the Proposed Transaction is fair and reasonable to the non-associated shareholders taking into account the impact of the Collateral Benefit.

10.3.2 Disadvantages of the provision

We outline following the potential disadvantages of the Collateral Benefit:

Disadvantage	Explanation
MGTM may no longer hold gold assets with future exploration opportunity	If the Collateral Benefit is satisfied through the transfer of MGTM's gold assets, then MGMT will lose the opportunity to further explore and develop these assets in the future.

10.4 Opinion on Collateral Benefit

As AVW receive a net benefit at the low valuation for the tenements, **in our opinion AVW will receive a net benefit from the Collateral Benefit.**

The ultimate decision on whether to approve the Collateral Benefit should be based on shareholders' own assessment of their circumstances. We strongly recommend that shareholders consult their own professional advisers, carefully read all relevant documentation provided, including the Notice of Shareholders Meeting, and consider their own specific circumstances before voting in favour of or against the Collateral Benefit.

APPENDIX A – GLOSSARY

Term	Definition
1H2016	six months to 31 December 2016
AFSL	Australian Financial Services Licence Number 247300
Agreement	Converting Note and Option Agreement between MGTM and Niflheim
APES 225	Accounting Professional and Ethical Standards 225 for valuation engagements
ASIC	Australia Securities and Investment Commission
ASX	Australian Securities Exchange
AVW	Avira Energy Ltd (ACN 131 715 645)
Client	MGTM
Collateral Benefit	The repayment of $100,000 in cash and $850,000 owed by MGTM to AVW as a condition of the Proposed Transaction either in cash or through the transfer of MGTM's
Company or MGTM	MGT Mining Ltd (ACN 120 236 142)
Corporations Act	Corporations Act 2001 (Cth)
Document	Notice of Shareholders Meeting
FOS	Financial Ombudsman Service
FSG	Financial Services Guide
FY2014	the financial year ended or as at 30 June 2014
FY2015	the financial year ended or as at 30 June 2015
FY2016	the financial year ended or as at 30 June 2016
GN21	Takeover Panel Guide Guidance Note 21 Collateral Benefits
Nexia Entities	NSCA, Nexia Sydney Partnership, and related entities
Niflheim	Niflheim Resources Pte Ltd (Singapore company number 201417253R)
Notice of Shareholder Meeting	Document to be sent to shareholders on or about the date of this Report in which this Report is included
NSCA	Nexia Sydney Corporate Advisory Pty Ltd
NSFS	Nexia Sydney Financial Solutions Pty Ltd (AFSL 247300)
Proposed Transaction	The issue of ordinary shares and options to Niflheim Resources Pte Ltd in satisfaction of the convertible note
Report	Independent Expert's Report
RG111	ASIC Regulatory Guide 111: Content of expert Reports
RG74	ASIC Regulatory Guide 74: Acquisitions approved by members
RG9	ASIC Regulatory Guide 9: Takeover Bids
Taimetco	Taimetco International Co., Limited

APPENDIX B – SOURCES OF INFORMATION

- APES 225 – Valuation Services
- Australia Securities and Investment Commission's (ASIC) database
- Audited consolidated financial statements of MGTM for the years ended 30 June 2014 and 2016
- Consolidated financial statements of MGTM for the year ended 30 June 2015
- Consolidation schedule of AVW for the six months to December 2016
- Draft Notice of Meeting and Explanatory Memorandum prepared by MGTM
- General Security Deed between MGTM and Niflheim
- Half year Report of AVW for the six months to 31 December 2016
- Independent Geologist's Valuation of MGT Mining Limited's Gold Assets in Queensland as at 11 April 2017
- Independent Valuation of the Tin Properties of MGT Mining Limited as at 11 April 2017
- Management Accounts of MGTM at 31 March 2016
- MGTM's share register as at 4 April 2017
- ASIC Regulatory Guide 74: Acquisitions approved by members
- ASIC Regulatory Guide 111: Content of expert Reports
- ASIC Regulatory Guide 112: Independence of expert's Reports
- S&P Capital IQ
- Secured Converting Note & Option Agreement between MGTM and Niflheim
- Takeover Panel Guidance Note 21: Collateral Benefit
- Loan agreement between MGTM and AVW dated 21 March 2012
- Variation to the loan agreement between MGTM and AVW dated 11 May 2017

APPENDIX C – STATEMENT OF DECLARATION & QUALIFICATIONS

Confirmation of Independence

Prior to accepting this engagement Nexia Sydney Corporate Advisory Pty Ltd ("NSCA") determined its independence with respect to MGTM with reference to ASIC Regulatory Guide 112: Independence of expert's Reports ("RG 112"). NSCA considers that it meets the requirements of RG 112 and that it is independent of MGTM.

Also, in accordance with s648(2) of the Corporations Act we confirm we are not aware of any business relationship or financial interest of a material nature with MGTM its related parties or associates that would compromise our impartiality.

Mr Brent Goldman, authorised representative of NSCA, has prepared this Report. Neither he nor any related entities of NSCA have any interest in the promotion of the Proposed Transaction nor will NSCA receive any benefits, other than normal professional fees, directly or indirectly, for or in connection with the preparation of this Report. Our fee is not contingent upon the success or failure of the Proposed Transaction, and has been calculated with reference to time spent on the engagement at normal professional fee rates for work of this type. Accordingly, NSCA does not have any pecuniary interests that could reasonably be regarded as being capable of affecting our ability to give an unbiased opinion under this engagement.

NSCA provided a draft copy of this Report to the Directors and management of MGTM for their comment as to factual accuracy, as opposed to opinions, which are the responsibility of NSCA alone. Changes made to this Report, as a result of the review by the Directors and management of MGTM, have not changed the methodology or conclusions reached by NSCA.

Reliance on Information

The statements and opinions given in this Report are given in good faith and in the belief that such statements and opinions are not false or misleading. In the preparation of this Report NSCA has relied upon information provided on the basis it was reliable and accurate. NSCA has no reason to believe that any information supplied to it was false or that any material information (that a reasonable person would expect to be disclosed) has been withheld from it. NSCA evaluated the information provided to it by MGTM as well as other parties, through enquiry, analysis and review, and nothing has come to its attention to indicate the information provided was materially mis-stated or would not afford reasonable grounds upon which to base its Report. Accordingly, we have taken no further steps to verify the accuracy, completeness or fairness of the data provided.

Our procedures and enquiries do not include verification work, nor constitute an audit or review in accordance with Australian Auditing Standards. NSCA does not imply and it should not be construed that it has audited or in any way verified any of the information provided to it, or that its enquiries could have verified any matter which a more extensive examination might disclose.

The sources of information that we relied upon are outlined in Appendix B of this Report.

Qualifications

NSCA carries on business at Level 16, 1 Market Street, Sydney NSW 2000. NSCA is an authorised corporate representative of Nexia Sydney Financial Solutions Pty Ltd, which holds Australian Financial Services Licence No 247300 authorising it to provide financial product advice on securities to retail clients. NSCA's representatives are therefore qualified to provide this Report.

Brent Goldman specifically was involved in the preparing and reviewing this Report. Brent Goldman is a Fellow of Chartered Accountants in Australia and New Zealand, a Business Valuation Specialist of Chartered

Accountants in Australia and New Zealand and a Fellow of the Financial Services Institute of Australasia. He has over 15 years of corporate finance experience in both Australia and the UK.

Consent and Disclaimers

The preparation of this Report has been undertaken at the request of the Directors of MGTM. It also has regard to relevant ASIC Regulatory Guides. It is not intended that the Report should be used for any other purpose than to accompany the Notice of Shareholder Meeting to be sent to MGTM shareholders. In particular, it is not intended that this Report should be used for any purpose other than as an expression of NSCA's opinion as to whether or not the Proposed Transaction is fair and reasonable to MGTM shareholders.

NSCA consent to the issue of this Report in the form and context in which it is included in the Notice of Shareholder Meeting to be sent to MGTM shareholders.

Shareholders should read all documents issued by MGTM that consider the issue of options in their entirety, prior to proceeding with a decision. NSCA had no involvement in the preparation of these documents, with the exception of our Report.

This Report has been prepared specifically for the non-associated shareholders of MGTM. Neither NSCA, nor any member or employee thereof undertakes responsibility to any person, other than a shareholder of MGTM, in respect of this Report, including any errors or omissions howsoever caused. This Report is "General Advice" and does not take into account any person's particular investment objectives, financial situation and particular needs. Before making an investment decision based on this advice, you should consider, with or without the assistance of a securities advisor, whether it is appropriate to your particular investment needs, objectives and financial circumstances.

Our procedures and enquiries do not include verification work, nor constitute an audit or review in accordance with Australian Auditing Standards.

Our opinions are based on economic, market and other conditions prevailing at the date of this Report. Such conditions can change significantly over relatively short periods of time. Furthermore, financial markets have been particularly volatile in recent times. Accordingly, if circumstances change significantly, subsequent to the issue of this Report, our conclusions and opinions may differ from those stated herein. There is no requirement for NSCA to update this Report for information that may become available subsequent to its date.

APPENDIX D – VALUATION METHODOLOGIES

In preparing this Report we have considered valuation methods commonly used in practice and those recommended by RG 111. These methods include:

- the discounted cash flow method;
- the capitalisation of earnings method;
- asset based methods; and
- analysis of share market trading.

Discounted Cash Flow Method

Description

Of the various methods noted above, the discounted cash flow method has the strongest theoretical standing. It is also widely used in practice by corporate acquirers and company analysts. The discounted cash flow method estimates the value of a business by discounting expected future cash flows to a present value using an appropriate discount rate. A discounted cash flow valuation requires:

- a forecast of expected future cash flows;
- an appropriate discount rate; and
- an estimate of terminal value.

It is necessary to project cash flows over a suitable period of time (generally regarded as being at least five years) to arrive at the net cash flow in each period. For a finite life project or asset this would need to be done for the life of the project. This can be a difficult exercise requiring a significant number of assumptions such as revenue growth, future margins, capital expenditure requirements, working capital movements and taxation.

The discount rate used represents the risk of achieving the projected future cash flows and the time value of money. The projected future cash flows are then valued in current day terms using the discount rate selected.

A terminal value reflects the value of cash flows that will arise beyond the explicit forecast period. This is commonly estimated using either a constant growth assumption or a multiple of earnings (as described under capitalisation of future maintainable earnings below). This terminal value is then discounted to current day terms and added to the net present value of the forecast cash flows.

The discounted cash flow method is often sensitive to a number of key assumptions such as revenue growth, future margins, capital investment, terminal growth and the discount rate. All of these assumptions can be highly subjective sometimes leading to a valuation conclusion presented as a range that is too wide to be useful.

Use of the Discounted Cash Flow Method

A discounted cash flow approach is usually preferred when valuing:

- early stage companies or projects;
- limited life assets such as a mine or toll concession;
- companies where significant growth is expected in future cash flows; or
- projects with volatile earnings.

It may also be preferred if other methods are not suitable, for example if there is a lack of reliable evidence to support a capitalisation of earnings approach. However, it may not be appropriate if reliable forecasts of cash flow are not available and cannot be determined.

Capitalisation of Earnings Method

Description

The capitalisation of earnings method is a commonly used valuation methodology that involves determining a future maintainable earnings figure for a business and multiplying that figure by an appropriate capitalisation multiple. This methodology is generally considered a short form of a discounted cash flow, where a single representative earnings figure is capitalised, rather than a stream of individual cash flows being discounted. The capitalisation of earnings methodology involves the determination of:

- a level of future maintainable earnings; and
- an appropriate capitalisation rate or multiple.

A multiple can be applied to any of the following measures of earnings:

Revenue – most commonly used for companies that do not make a positive EBITDA or as a cross-check of a valuation conclusion derived using another method.

EBITDA - most appropriate where depreciation distorts earnings, for example in a company that has a significant level of depreciating assets but little ongoing capital expenditure requirement.

EBIT - in most cases EBIT will be more reliable than EBITDA as it takes account of the capital intensity of the business.

NPAT - relevant in valuing businesses where interest is a major part of the overall earnings of the group (e.g. financial services businesses such as banks).

Multiples of EBITDA, EBITA and EBIT value the whole businesses, or its enterprise value irrespective of the gearing structure. NPAT (or P/E) values the equity of a business

The multiple selected to apply to maintainable earnings reflects expectations about future growth, risk and the time value of money all wrapped up in a single number. Multiples can be derived from three main sources.

Using the guideline public company method, market multiples are derived from the trading prices of stocks of companies that are engaged in the same or similar lines of business and that are actively traded on a free and open market, such as the ASX or the NSX. The merger and acquisition method is a method whereby multiples are derived from transactions of significant interests in companies engaged in the same or similar lines of business. In Australia this has been called the comparable transaction methodology.

Use of the Capitalisation of Earnings Method

The capitalisation of earnings method is widely used in practice. It is particularly appropriate for valuing companies with a relatively stable historical earnings pattern which is expected to continue. This method is less appropriate for valuing companies or assets if:

- there are no suitable listed company or transaction benchmarks for comparison;
- the asset has a limited life;
- future earnings or cash flows are expected to be volatile; or
- there are negative earnings or the earnings of a business are insufficient to justify a value exceeding the value of the underlying net assets.

Asset Based Methods

Description

Asset based valuation methods estimate the value of a company based on the realisable value of its net assets, less its liabilities. There are a number of asset based methods including:

- orderly realisation;
- liquidation value;
- net assets on a going concern basis;
- replacement cost; and
- reproduction cost.

The orderly realisation of assets method estimates Fair Market Value by determining the amount that would be distributed to shareholders, after payment of all liabilities including realisation costs and taxation charges that arise, assuming the company is wound up in an orderly manner. The liquidation method is similar to the orderly realisation of assets method except the liquidation method assumes the assets are sold in a shorter time frame.

Since wind up or liquidation of the company may not be contemplated, these methods in their strictest form may not necessarily be appropriate. The net assets on a going concern basis method estimate the market values of the net assets of a company but do not take account of realisation costs.

The asset / cost approach is generally used when the value of the business's assets exceeds the present value of the cash flows expected to be derived from the ongoing business operations, or the nature of the business is to hold or invest in assets. It is important to note that the asset approach may still be the relevant approach even if an asset is making a profit. If an asset is making less than an economic rate of return and there is no realistic prospect of it making an economic return in the foreseeable future, an asset approach would be the most appropriate method.

Use of Asset Based Methods

An asset-based approach is a suitable valuation method when:

- an enterprise is loss making and is not expected to become profitable in the foreseeable future;
- assets are employed profitably but earn less than the cost of capital;
- a significant portion of the company's assets are composed of liquid assets or other investments (such as marketable securities and real estate investments); or
- it is relatively easy to enter the industry (for example, small machine shops and retail establishments).

Asset based methods are not appropriate if:

- the ownership interest being valued is not a controlling interest, has no ability to cause the sale of the company's assets and the major holders are not planning to sell the company's assets; or
- a business has (or is expected to have) an adequate return on capital, such that the value of its future income stream exceeds the value of its assets.

Analysis of Share Trading

The most recent share trading history provides evidence of the Fair Market Value of the shares in a company where they are publicly traded in an informed and liquid market. There should also be some similarity between the size of the parcel of shares being valued and those being traded. Where a company's shares are publicly traded then an analysis of recent trading prices should be considered, at least as a cross-check to other valuation methods.

APPENDIX E – INDEPENDENT GEOLOGIST'S VALUATION OF MGTM'S GOLD ASSETS

APPENDIX F – INDEPENDENT GEOLOGIST'S VALUATION OF MGTM'S TIN ASSETS