# Half Year Financial Report

## MRG Metals Limited

ABN: 83 148 938 532

For the half-year ended 31 December 2015

*MRG aspires to become an investment of choice, focused on the discovery of Gold, Silver, Base Metals & other commodities*

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# Corporate Directory

**Directors & Secretary**

Andrew Van Der Zwan
Non Executive Chairman

Keith Weston
Managing Director and Chief Executive Officer

Christopher Gregory
Non Executive Director

Shane Turner
Non Executive Director and Company Secretary

**Principal place of business**

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**Corporate accountant and Registered ASIC Agent**

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**Share Registry**

Link Market Services Limited
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**Auditor**

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**Stock Exchange Listing**

ASX Codes: MRQ, MRQO, MRQOA

# Director's Report

The Directors of MRG Metals Limited ('MRG') present their Report together with the financial statements of the consolidated entity, being MRG Metals Limited ('the Company') and its controlled entities, MRG Metals (Australia) Pty Ltd and MRG Metals (Exploration) Pty Ltd ('the Group') for the half year ended 31 December 2015 and the Independent Review Report thereon.

## Projects

MRG Metals Ltd ('MRG') has a stated exploration strategy to drill high potential targets wherever practicable. To achieve this, MRG adopts a systematic approach to target generation and prioritisation of drilling. During 2015 our Loongana and Xanadu Projects were drilled.

**Queensland Projects**

MRG holds a suite of exploration licences, focusing primarily on Iron Oxide Copper Gold ("IOCG") discoveries in the Mount Isa Block. MRG's projects all lay under cover and the targets were generated using the Sasak predictive technology. The Projects comprise 5 granted licences and two applications.

**The IOCG Projects are**:

**Pulchera (EPM19471)**

- Situated in the Simpson Desert near the NT border
- Adjacent to the Toomba discovery of 27m @ 0.4% Cu from 9m
- Previous exploration work completed in the general area by BHP, Krucible Metals and Glengarry Resources

**Davenport Downs (EPM19306)**

- Southern extension of the Mt Isa Fold Belt
- Never drill tested

**Selwyn (EPM25887)**

- 14km north of South32's Cannington in the Stavely Formation

**Mt Angelay (EPM25884)**

- 44km southwest of the Eloise mine at the junction of two major fault zones

**Oban and Kamileroi (EPM25883 & EPM25885 under application)**

**Other Queensland Project:**

**Squirrel Hill Cannington-style target (in EPM19470)**

- 12km west northwest of South32's Cannington

MRG is currently considering the most cost effective method to commence on ground exploration on these Projects. Additionally, MRG has received funding from the Queensland co-funded Government-Industry Exploration Incentive Scheme, to defray 50% of the cost of drilling on the Davenport Downs Project.

**Western Australian Projects:**

**Xanadu (Gold)**

MRG's Xanadu Project is located close to northern margin of the Ashburton Basin, 4km west southwest of Northern Star's Ashburton project (1.67Moz at 2.4g/t) and comprises 12km strike length of prospective stratigraphy that includes several known occurrences of gold mineralisation and a number of prospects, including the Amphitheatre Mine.

The Project located within a portion of the northern-central margin of the Ashburton Basin, flanking both the Pilbara Craton and Hamersley Basin. Gold mineralisation has been detected by shallow drilling along the **entire strike length of the tenements,** although bedrock outcrop is restricted, limiting the effective use of traditional geochemistry and weathering is deep (>80m vertical).

Additional analysis and accompanying drilling completed during 2015 indicates that Xanadu represents an intrusive-related hydrothermal system. MRG is pursuing an exploration model comprising four components:

1. Mineralisation associated with and underlying the lithocap, forming an 8km long prospective zone
2. Mt Olympus style mineralisation at Pertinax, associated with steeply dipping faults
3. Open pitable disseminated mineralisation occurring in a sedimentary type package directly overlying a flat dolomite unit at Cleopatra
4. Analogues of Mt Olympus style mineralisation to the southeast within the newly granted exploration licence E52/3065

MRG completed a further drilling program at Xanadu in December 2015 to test a large fluid ponding target under an impermeable dolomitic unit. This target extends 8km across MRG's tenement and is thought to be a potential cap to ore fluids which may have ponded underneath.

3D data over the prospects have allowed a new exploration model to be developed with 3 prioritised targets to be tested by future drilling. Predictive modelling is underway for the next drilling program planned for mid 2016.

**Loongana (Nickel & Platinum Group Elements)**

MRG's Loongana Project is prospective for Bushveld reef type Platinum Group Elements ("PGE") plus IOCG and nickel-copper mineralisation hosted within the Loongana Igneous Complex. The Complex is a basement crustal feature within the Madura Block, due east of the Albany Fraser Ororgen and includes one of the strongest gravity residuals in Australia.

Located 500kms east of Kalgoorlie, the Loongana Complex is a tadpole shaped feature orientated SW-NE with a large lobe 40km long and 15km wide and a tail 60km in length. MRG holds the core of the Complex, which is surrounded by tenements owned by Fortescue Metals Group (ASX: FMG).

Previous exploration indicates the main targets lay under cover at depths ranging from 250m to 400m below the current surface. A Bushveld reef type platinum target with an interpreted 11.5km strike is main focus of our exploration.

There also exists untested potential for magmatic segregation nickel-copper mineralisation (Nova style) on north western margin of deposit, based on new 3D inversion imaging, along with potential for IOCG in northern part of tenements.

MRG's drilling in mid 2015 followed on from previous exploration campaigns over the project.

MRG drilled a single deep hole, LNGD 003 designed to test for a reef style PGE mineralised horizon based on anomalous results identified in historical hole LNGD 001.

The historic hole LNGD 001 returned results that were consistent with the low grade tail of a PGE reef.

In LNGD 003, a Cr bearing clinopyroxenite was intersected at 443 - 446.5m, hosting anomalous PGE's, but with no visual sulphide bearing reef. A mylonite fault zone developed between 442.5-

443.65m, with an apparent north dip and north block down movement has excised the critical part of the stratigraphy, and any potential reef, at this point.

A wedge to test this downthrown block did not deviate sufficiently to pierce this downthrown block, hence the target zone is still largely untested.

The drilling was undertaken with the support of funding from the Department of Mines and Petroleum WA Co-funded Government - Industry Drilling Program of the Exploration Incentive Scheme ('EIS').

**Yardilla**
This project, located 95km east-northeast of Norseman, contains gold and nickel sulphide targets on the boundary between the Archaean Yilgarn Craton and the Proterozoic Albany-Fraser Orogen

The Albany-Fraser Orogen hosts a number of world class deposits, including:

- **Tropicana gold mine** – Resource of 115.7Mt @ 1.89 g/t Au for 7.04Moz Au *(30 June 2015)*
- **Nova-Bollinger nickel sulphide deposits** – Resource of 14.3Mt @ 2.3% Ni & 0.9% Cu for 325kt Ni & 134kt Cu *(30 June 2015)*
- **Trilogy base metal deposit** – Resource of 6.2Mt @ 1% Cu, 0.9 g/t Au & 47 g/t Ag for 65kt Cu, 214koz Au & 9.3Moz Ag *(30 June 2015)*

The Yardilla project spans a portion of the major tectonic suture between the Kurnalpi greenstone Terrain of the Yilgarn Craton and the Proterozoic Albany-Fraser Province, covering tectonically reworked Archean rocks that form the eastern margin of the Yilgarn Craton.

Hence, the project occupies a Tectono-Structural position similar to the Tropicana deposit on the south eastern edge of the Yilgarn Craton (N-S greenstone fabric), within its transition into the northeast-southwest oriented Albany-Fraser Orogen
MRG holds an exploration licence along with a 2 year option to acquire 100% of two abutting granted exploration licences. Exploration comprising auger soil sampling and RC drilling is planned for 2016.

**Kalgoorlie East Project (Gold, Nickel, Base Metals & Silver)**
The Kalgoorlie East Project comprises 15 prospecting licences covering over 1,700 hectares, located just 10km east of Kalgoorlie.

MRG has completed a number of exploration programs directed towards gold, nickel and VMS silver targets.

The most promising results to date come from the Balagundi satellite project.

The holes at Balagundi were drilled into a virgin area with no prior drilling. Of the four shallow holes completed, anomalous gold and strongly anomalous arsenic were found in two of the holes.

**3m @ 0.33g/t Au & 479 ppm As from 35 to 38m in hole BRC001**
**5m @ 1,710 ppm As from 67 to 72m in hole BRC004**

The geochemical associations highlight relationships common in Metalliferous Black Shales (possibly associated with Volcanogenic Massive Sulphide-related mineralisation) and Archean Gold Deposits (Balagundi)**.**

Further step out drilling at Balagundi is planned to test the extent of this target.

**Fraser Range (Gold)**
The project lies 100 kilometres east south east of Norseman and approximately 60 kilometres due south of the Eyre Highway and comprises several exploration licence applications, covering approximately 500 square kilometres.

The MRG applications are within the 'B' Class Dundas Nature Conservation Reserve and are yet to be granted, awaiting a decision on the environmental conditions that will be placed on the licences from the Department of Parks & Wildlife.

MRG withdrew its applications subsequent to 31 December 2015.

*The information in this summary report, as it relates to Exploration Results is based on information compiled and/or reviewed by Mr. Keith Weston, who is a member of the Australasian Institute of Mining and Metallurgy (AusIMM).*

*Mr. Weston is an employee to the Company and has the relevant experience with the mineralisation reported on to qualify as a Competent Person as defined in the 2012 Edition of the " Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr. Weston consents to the inclusion in the report of the matters based on the information in the form and context in which they appear. This is a summary report and technical data contained within has been previously released to the Australian Stock Exchange.*

*Forward Looking Statement*
*All statements other than statements of historical fact included in this announcement including, without limitation, statements regarding future plans and objectives of MRG Metals Ltd ('MRG' or 'Company') are forward-looking statements. When used in this announcement, forward-looking statements can be identified by words such as "anticipate", "believe", "could", "estimate", "expect", "future", "intend", "may", "opportunity", "plan", "potential", "project", "seek", "will" and other similar words that involve risks and uncertainties. These statements are based on an assessment of present economic and operating conditions, and on a number of assumptions regarding future events and actions that, as at the date of this announcement, are expected to take place. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of the Company, its Directors and management of MRG that could cause MRG's actual results to differ materially from the results expressed or anticipated in these statements. The Company cannot and does not give any assurance that the results, performance or achievements expressed or implied by the forward-looking statements contained in this announcement will actually occur and investors are cautioned not to place undue reliance on these forward-looking statements. MRG does not undertake to update or revise forward-looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this announcement, except where required by applicable law and stock exchange listing requirements.*

## Director details

The following persons were directors of MRG Metals Limited during or since the end of the half year.

- Mr Andrew Van Der Zwan
- Mr Keith Weston
- Mr Christopher Gregory
- Mr Shane Turner

## Principal activities

During the period, the principal activities of entities within the Group were exploration and development of Gold, Nickel, Base Metals and other commodities within Australia.

There have been no significant changes in the nature of these activities during the period.

## Review of operations and financial results

The operating result of the Group for the half year was a loss of $445,739 (31/12/14 loss $317,264).

Earnings per share during the half year were ($0.33) (31/12/14 ($0.23)).

## Dividends

There were no dividends declared or paid during the half year.

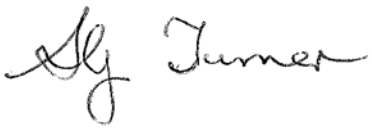
## Events arising since the end of the reporting period

No significant events have arisen since 31 December 2015.

## Auditor's independence declaration

A copy of the auditor's independence declaration as required under s307C of the Corporations Act 2001 is included on page 9 of this financial report and forms part of this Directors report.

Signed in accordance with a resolution of the directors.



Shane Turner
Director

Date: 15 March 2016

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## Auditor's Independence Declaration
## To The Directors of MRG Metals Ltd

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of MRG Metals Ltd for the half-year ended 31 December 2015, I declare that, to the best of my knowledge and belief, there have been:

a No contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and

b No contraventions of any applicable code of professional conduct in relation to the review.

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

S. C. Trivett
Partner - Audit & Assurance

Melbourne, 15 March 2016

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# Statement of Financial Position

As at 31 December 2015

| | Notes | Consolidated 31 December 2015 $ | Consolidated 30 June 2015 $ |
|---|---|---|---|
| **Assets** | | | |
| **Current** | | | |
| Cash and cash equivalents | | 151,402 | 410,139 |
| Trade & other receivables | | 526,725 | 625,637 |
| Current assets | | 678,127 | 1,035,776 |
| **Non-current** | | | |
| Plant & equipment | | 1,266 | - |
| Exploration and evaluation | | 4,296,033 | 3,960,509 |
| Option to acquire tenements | | 75,000 | 75,000 |
| Deposits & bonds | | 2,500 | - |
| Non-current assets | | 4,374,799 | 4,035,509 |
| **Total assets** | | 5,052,926 | 5,071,285 |
| **Liabilities** | | | |
| **Current** | | | |
| Trade and other payables | | 298,415 | 548,436 |
| Current liabilities | | 298,415 | 548,436 |
| **Total liabilities** | | 298,415 | 548,436 |
| **Net assets** | | **4,754,511** | **4,522,849** |
| **Equity** | | | |
| Share capital | 8 | 17,041,937 | 16,364,536 |
| Accumulated losses | | (12,287,426) | (11,841,687) |
| **Total equity** | | **4,754,511** | **4,522,849** |

The accompanying notes form part of these financial statements.

# Statement of Profit or Loss and Other Comprehensive Income

For the half-year ended 31 December 2015

| | | Consolidated | |
|---|---|---|---|
| | **Notes** | **31 December 2015 $** | **31 December 2014 $** |
| Revenue | | 24,441 | 12,188 |
| Research & development refund | | - | 613,374 |
| Employee benefits expense | | (189,297) | (197,426) |
| Exploration expenses/tenements written off | | (49,507) | - |
| Amortisation of intangibles | 6 | - | (510,875) |
| Administration expense | | (231,376) | (234,525) |
| **Loss before tax** | | **(445,739)** | **(317,264)** |
| Tax expense | | - | - |
| **Loss after tax** | | **(445,739)** | **(317,264)** |
| **Other comprehensive income, net of tax** | | - | - |
| **Total comprehensive loss** | | **(445,739)** | **(317,264)** |

| | | **Cents** | **Cents** |
|---|---|---|---|
| **Basic earnings per share** | | | |
| Earnings from continuing operations | 3 | (0.33) | (0.23) |
| **Diluted earnings per share** | | | |
| Earnings from continuing operations | 3 | (0.33) | (0.23) |

The accompanying notes form part of these financial statements.

# Statement of Changes in Equity

For the half-year ended 31 December 2015

| Consolidated | Share capital | Accumulated losses | Total equity |
|---|---|---|---|
| | $ | $ | $ |
| **Balance at 1 July 2014** | 16,364,536 | (7,388,651) | 8,975,885 |
| Loss for the period | - | (317,264) | (317,264) |
| **Balance at 31 December 2014** | **16,364,536** | **(7,705,915)** | **8,658,621** |
| **Balance at 1 July 2015** | 16,364,536 | (11,841,687) | 4,522,849 |
| Issue of share capital | 729,784 | - | 729,784 |
| Transaction costs | (52,383) | - | (52,383) |
| Loss for the period | - | (445,739) | (445,739) |
| **Balance at 31 December 2015** | **17,041,937** | **(12,287,426)** | **4,754,511** |

The accompanying notes form part of these financial statements.

# Statement of Cash Flows

For the half-year ended 31 December 2015

| | Consolidated | |
|---|---|---|
| | **31 December 2015 $** | **31 December 2014 $** |
| **Operating activities** | | |
| Receipts from customers | 108,000 | - |
| Interest received | 2,841 | 10,059 |
| Payments to suppliers and employees | (408,426) | (443,925) |
| Net cash (used in) operating activities | (297,585) | (433,866) |
| | | |
| **Investing activities** | | |
| Payment for exploration & evaluation | (620,815) | (520,443) |
| Acquisition of Tenements | (11,484) | - |
| Tenement Security Bond | (2,500) | - |
| Acquisition of Equipment | (1,418) | - |
| Net cash (used in) investing activities | (636,217) | (520,443) |
| | | |
| **Financing activities** | | |
| Proceeds from issue of capital (1) | 704,081 | - |
| Payment of transaction costs | (29,016) | - |
| Net cash from (used in) financing activities | 675,065 | - |
| | | |
| **Net change in cash and cash equivalents** | (258,737) | (954,309) |
| Cash and cash equivalents, beginning of period | 410,139 | 1,238,917 |
| **Cash and cash equivalents, end of period** | 151,402 | 284,608 |

(1) The Group also had non-cash activities in the form of issuance of shares to the value of $25,703 as consideration for underwriting fees.

The accompanying notes form part of these financial statements.

# Condensed Notes to the interim consolidated financial statements

## 1 Nature of operations

During the period, the principal activities of entities within the Group were exploration and development of Gold, Nickel, Base Metals and other commodities within Australia.

## 2 General information and basis of preparation

**(a) Statement of compliance**

The half-year financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 'Interim Financial Reporting'. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'. The half-year financial report does not include notes of the type normally included in an annual financial report and should be read in conjunction with the most recent annual financial report.

**(b) Basis of preparation**

The condensed financial statements have been prepared on the basis of historical cost. Cost is based on the fair values of the consideration given in exchange for assets.

The same accounting policies and methods of computation are followed in the half-year financial report as compared with the Company's most recent annual financial report, for the financial year ended 30 June 2015.

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 its operations and effective for the current reporting period.

The adoption of all the new and revised Standards and Interpretations has not resulted in any changes to the Company's accounting policies and has no effect on the amounts reported for the current or prior periods. The new and revised Standards and Interpretations has not had a material impact and not resulted in changes to the Company's presentation of or disclosure in, its half-year financial statements.

## 3 Earnings per share

The weighted average number of shares for the purposes of the calculation of diluted earnings per share can be reconciled to the weighted average number of ordinary shares used in the calculation of basic earnings per share as follows:

| | **Consolidated 6 months to 31 December 2015** $ | **Consolidated 6 months to 31 December 2014** $ |
|---|---|---|
| Loss after income tax | (445,739) | (317,264) |
| Weighted average number of shares used in basic earnings per share | 135,612,115 | 135,612,115 |
| Weighted average number of shares used in diluted earnings per share | 135,612,115 | 135,612,115 |

## 4 Subsidiaries

MRG Metals Limited owns 100% of the shares of MRG Metals (Australia) Pty Ltd and MRG Metals (Exploration) Pty Ltd.

## 5 Dividends

There were no dividends declared or paid during the current or previous half year.

## 6 Amortisation of intangibles

Intangibles relate to access to the data mining software of Sasak Technical for a period of two years from July 2013. Accordingly, it was amortised over this period.

## 7 Impairment of non financial assets

There was no impairment during the six months ended 31 December 2015.

## 8 Share Capital

| | Number of Ordinary Shares | Number of Options | Consolidated $ |
|---|---|---|---|
| *Movements in share capital:* | | | |
| Balance at 1 July 2014 | 135,612,115 | 44,007,993 | 16,364,536 |
| **Balance at 31 December 2014** | **135,612,115** | **44,007,993** | **16,364,536** |
| Balance at 1 July 2015 | 135,612,115 | 44,007,993 | 16,364,536 |
| *Movements in options:* | | | |
| Additions during period | - | 72,978,404 | 729,784 |
| Costs of raising | - | - | (52,383) |
| **Balance at 31 December 2015** | **135,612,115** | **116,986,397** | **17,041,937** |

*On 15 September 2015 the Company announced the successful completion of a non-renounceable entitlement issue of options. Consideration of $0.01 was paid for each security, with an exercise price of $0.15 per share. The options expire on 31 August 2020. A total of $704,081 was raised through the issuance of 70,408,077 options. Underwriting costs of $25,703 were paid by the issuance of 2,570,327 options.*

## 9 Segment reporting

The Group is organised into one operating segment, which is the exploration and development of Gold, Nickel, Base Metals and other commodities within Australia. This operating segment is based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers) in assessing performance and in determining the allocation of resources.

## 10 Commitments for expenditure

| | Consolidated | |
|---|---|---|
| | 31 December 2015 $ | 30 June 2015 $ |
| Exploration and evaluation: Within 12 months | 473,940 | 417,540 |
| | **473,940** | **417,540** |

Exploration and evaluation:

In order to maintain current rights of tenure to exploration tenements, the Group is required to outlay rentals and to meet the minimum expenditure requirements of the State Mine Departments. Minimum expenditure commitments may be subject to renegotiation and with approval may otherwise be avoided by sale, farm out or relinquishment. These obligations are not provided in the accounts and are payable.

## 11 Related parties

Payment for goods and services:
The Group used the accounting services of RSM Australia Pty Ltd, an entity associated with Mr. Turner. The amounts billed were based on normal market rates and amounted to $3,601 for the six months (2014 $17,600). Also, the Group used accounting services from Mr. Turner. The amounts billed were based on normal market rates and amounted to $24,000 for the six months (2014 $19,000).

## 12 Events after the reporting date

No significant events have arisen since 31 December 2015.

# Directors' declaration

1. In the opinion of the directors of MRG Metals Limited:

   a the consolidated financial statements and notes of MRG Metals Limited are in accordance with the Corporations Act 2001, including

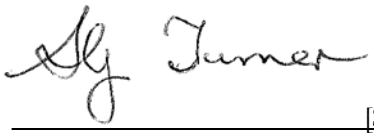
      i. giving a true and fair view of its financial position as at 31 December 2015 and of its performance for the half-year ended on that date; and

      ii. complying with Accounting Standard AASB 134 Interim Financial Reporting; and

   b there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors:

Dated at Melbourne this 15th day of March 2016



[Shane Turner]

Director

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## Independent Auditor's Review Report
## To the Members of MRG Metals Ltd

We have reviewed the accompanying half-year financial report of MRG Metals Ltd ("Company"), which comprises the statement of financial position as at 31 December 2015, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising other explanatory information and the directors' declaration.

### Directors' responsibility for the half-year financial report

The directors of MRG Metals Ltd are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such controls as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

### 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 the Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report 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 half-year financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the MRG Metals Ltd financial position as at 31 December 2015 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 MRG Metals Ltd, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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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.

### Independence

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

### Conclusion

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 MRG Metals Ltd is not in accordance with the Corporations Act 2001, including:

a giving a true and fair view of the Company's financial position as at 31 December 2015 and of its performance for the half-year ended on that date; and

b complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

S. C. Trivett
Partner - Audit & Assurance

Melbourne, 15 March 2016