HEAVY MINERAL SANDS CLARIFICATION

MRG wishes to provide further information regarding its previous announcements made on 24 August and 27 August 2018 regarding the Mozambique Heavy Mineral Sands Project (**HMS Project**) it had been negotiating to acquire.

In April 2018, MRG entered into a Heads of Agreement (**HOA**) to acquire Trophosys Pty Ltd (**Trophosys**), which held the rights to acquire Sofala Resources Pty Ltd (**Sofala**), the ultimate owner of the HMS Project, and to acquire the shares in Sofala at the same time (**Proposed Acquisition**).

Completion of the Proposed Acquisition under the HOA were subject to satisfaction of due diligence on the HMS Project and other conditions including, MRG obtaining all necessary MRG board and shareholder approvals and ASX approvals as announced in April 2018.

Throughout the period from April 2018 to end June 2018, MRG worked with Sofala and Trophosys with a view to achieving these conditions, however these conditions were not able to be met nor waived by the expiry date of end June 2018 under the terms of the HOA. Specifically, the structure for the milestone payments was required to be revised in order to address the ASX regulatory requirements. Additionally, there were specific Mozambique regulatory requirements for MRG to acquire effective legal ownership of the HMS Project in Mozambique.

Following the expiry of the HOA, the three (3) parties involved in the transaction, being MRG, Trophosys and Sofala, continued to negotiate in good faith new agreements to undertake the transaction for MRG to acquire the HMS Project via acquisition of Sofala and Trophosys.

MRG proceeded with such negotiations in the reasonable expectation that the parties would reach a new agreement substantively reflective of the same fundamental commercial terms set forth in the HOA, with necessary amendments to the structure and timing of the transaction in order to address Mozambique regulatory requirements for MRG to acquire effective legal ownership of the HMS Project in Mozambique and the structure for the milestone payments, which was subsequently agreed to by the parties and approved by the ASX. Such revisions were reasonable and appropriate under all the circumstances of a transaction of this nature, more importantly were considered by the MRG Board to be in the interest of its shareholders. Having regards to continued negotiations between the parties following the expiry of the HOA and the apparent intentions of the parties to proceed on that basis, MRG did not consider, at the time, the expiry of the original HOA as materially impacting the prospects of the transaction ultimately proceeding.

The good faith negotiations continued and in late July 2018 the three parties convened, following which new agreements were prepared by MRG to reflect the in-principle agreement on the form and structure of the transactions for the Proposed Acquisition. As the form and structure of the new agreements were based around the same form and structure proposed by Trophosys during the meeting, MRG was led to believe that an in-principle agreement was

reached between the parties and that the Proposed Acquisition would proceed to completion in September 2018.

MRG provided these drafts of new agreements to Trophosys and Sofala for review. At or around this time, the major shareholder of Trophosys suffered a health incident and was hospitalised, which further delayed the negotiations and review by the parties of the new agreements.

On 15 August 2018 Trophosys notified MRG that it did not agree to the form and structure of the new agreements for the transaction – this is despite such agreements being drafted by MRG to reflect the form and structure that had been agreed to in-principle by the parties in late July 2018.

In a final effort to consummate the Proposed Acquisition, MRG subsequently proposed to Trophosys that the parties re-convene to negotiate in good faith and use their best endeavours, to finalise the terms of the new agreements for the transaction and provided Trophosys with the opportunity to accept this negotiation proposal by Friday 24 August 2018.

This request for further negotiation was not agreed to by Trophosys and accordingly MRG determined that the period of good faith negotiations between the parties to consummate a transaction in accordance with the commercial terms reflected in the original HOA had come to an end. MRG accordingly released its announcement on 24 August 2018 to update shareholders and the market on this matter.