Half Year Financial Report

MRG Metals Limited

ABN: 83 148 938 532

For the half-year ended 31 December 2013

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

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Stock Exchange Listing

ASX Codes: MRQ , MRQO

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 2013 and the Independent Review Report thereon.

Projects

The half year ended 31 December 2013 marked a change in direction for MRG, with the acquisition of private company Sasak Resources Australia Pty Ltd ('Sasak Resources') in June 2013. This acquisition comprised three elements: additional exploration acreage in Western Australia and Queensland; access to the largest privately held geoscience database in Australia and accompanying technical expertise of Sasak Technical Services Pty Ltd ('Sasak Technical'); as well as a Project Generation Agreement to identify new exploration opportunities. Since the completion of the Sasak Resources acquisition, MRG has reviewed its exploration portfolio and is focussinig future work by applying the Sasak Technical data mining technology to the project portfolio.

Kalgoorlie East Project (Gold, Nickel, Base Metals & Silver)

The Kalgoorlie East Project comprises 15 prospecting licences covering over 1,700 hectares, located 10 kilometres east of Kalgoorlie in Western Australia. The Project lies 8 kilometres east of Kalgoorlie Consolidated Gold Mines Ltd's Gold Super Pit and 3 kilometres west of Macpherson Resources Ltd's Nimbus Silver Super Pit. MRG has undertaken considerable exploration over the project area, directed to multiple commodities:- Gold, Nickel , Base Metals and Silver.

Work to date comprises historic data review & compilation, soil sampling, geological mapping, rock chip sampling, two Moving Loop Transient Electro - Magnetic ('MLTEM') geophysical surveys as well as Aircore drilling & Reverse Circulation drilling.

MRG's exploration work during the the second half of 2013 primarily focussed on the northern part of the Kalgoorlie East Project. An additional Moving Loop Transient Electro Magnetic survey and accompanying ground magnetic survey were completed late in the September quarter. These geophysical surveys delineated a number of new conductor targets, which were subsequently drilled during late October.

The style of mineralisation sought is high grade Kambalda type Nickel sulphide mineralisation, which occurs in channel like features at the basal contact between basaltic lavas and overlying ultramafic rocks (komatiites).

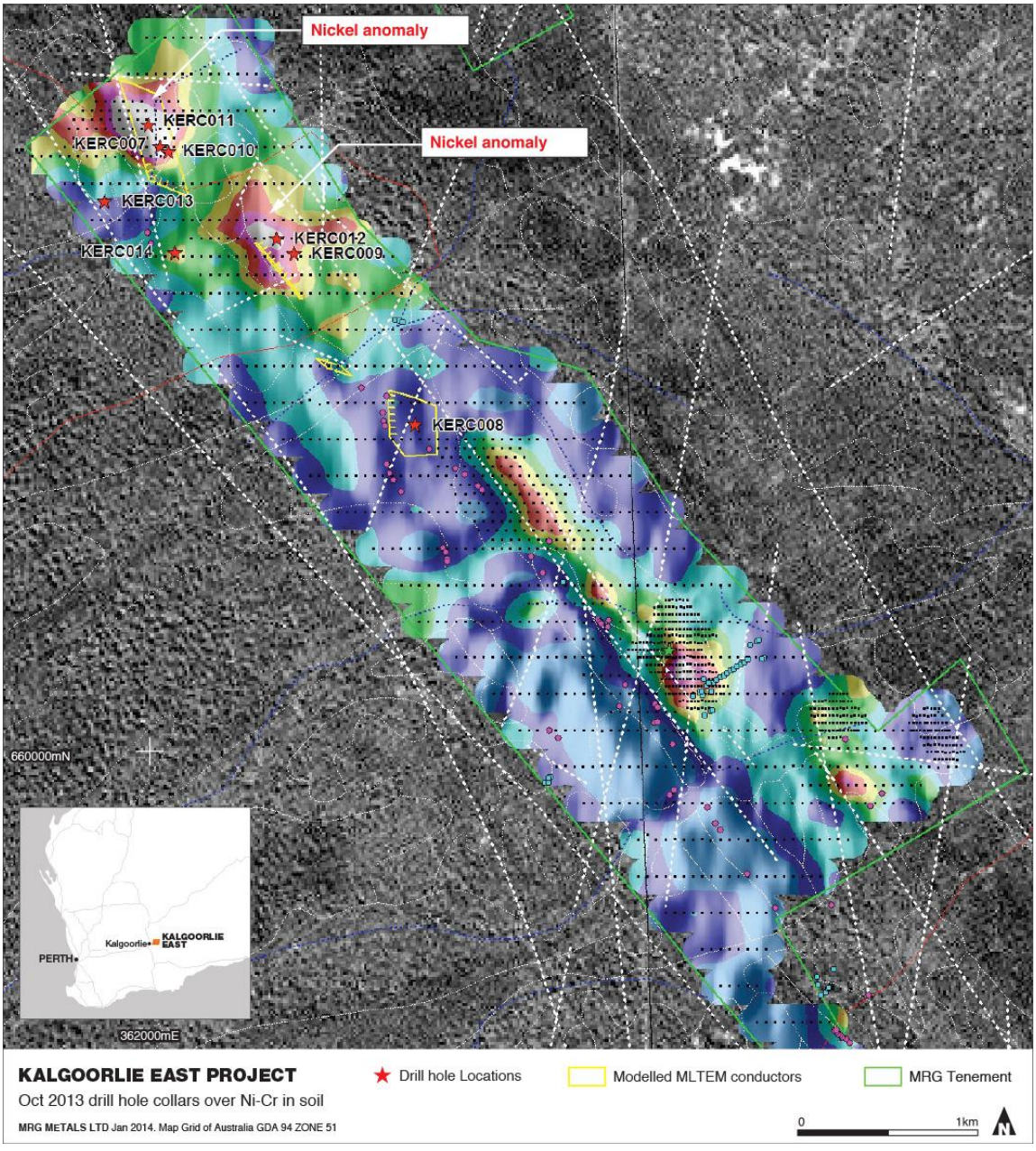
The 1,530 metre Reverse Circulation drilling program completed over these conductor targets did not intersect any high grade Nickel zones. However, moderately anomalous 5 metre composite samples were found and follow-up single metre sampling was completed. A number of strongly anomalous pathfinder and trace elements results were returned.

Results from the drilling include:

2m @ 0.23ppm Platinum + Palladium from 113 to 115m in hole KERC008
3m @ 0.13%Cu & 0.51%Zn from 172 to 175m in hole KERC008
6m @ 0.4%Ni from 4 to 10m in hole KERC009
2m @ 0.8%Zn from 190 to 192m in hole KERC10
6m @ 0.35%Ni from 3 to 9m in hole KERC012

We are currently reassessing the assay results to determine if they can be utilised as vectors to ore grade mineralisation and be used to identify further Nickel targets for follow up drilling later in 2014.

Additional drilling is also planned on separate distinct Gold targets at both Kalgoorlie East and a satellite project known as Balagundi.



Xanadu Project (Gold)

MRG's wholly owned Xanadu Project lies 38 kilometres south east of Paraburdoo in the Pilbara Region of Western Australia. Xanadu is immediately adjacent to Northern Star Resources Ltd's Ashburton Project - a planned 100,000 ounce Gold per annum operation with current JORC Resource of 1.67 Million ounces Au. The Project comprises 14 prospecting licences covering the northwest trending zone of Proterozoic sediments and carbonates within the Ashburton Basin and is prospective for Carlin-style Gold mineralisation.

Detailed analysis by Sasak Technical, aided by a recently completed digitisation of earlier geological mapping, has placed the surface geochemical data into an enhanced geological context, to better focus future exploration.

Exploration work by previous explorers concentrated on those areas with good geological exposure. MRG proposes to test predicted geochemical and structural targets in an area covered by a benign silica cap, approximately 7 kilometres long and up to 1 kilometre wide. This silicified zone has received little attention from earlier explorers.

The primary targets are strike extensions of known prospects that are under this zone, whilst others are totally new, identified by wide-ranging analysis of MRG's geochemical and drilling database by Sasak Technical.

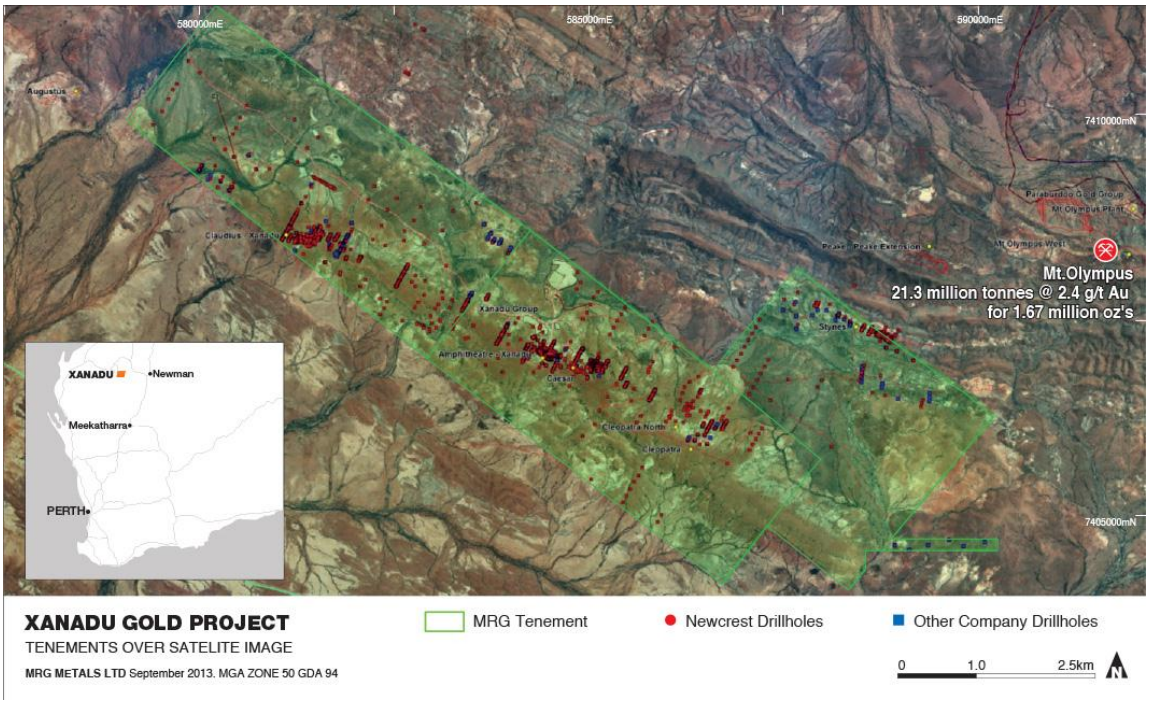
The drill targets fall into 3 main groups:

1. Augmentation of previous drill intercepts, typically into shallow dipping impure dolomites.
2. Extensions to known prospects where favourable host geology extends under the silcrete cap with supporting surface geochemistry.
3. Deeper feeder zones to the near surface mineralisation.

The initial drilling program will target groups one and two. The type three target is similar to Mount Olympus, where mineralisation occurs within and immediately adjacent to steeply dipping faults, where there is potential for greater tonnages. Earlier explorers concentrated on the shallow dipping style of mineralisation. Whilst the potential for deeper fault hosted mineralisation was recognised, the number of holes seeking to find these feeders was relatively few.

Three dimensional visualisation work is in train to increase our understanding of the spatial relationships of the differing mineralisation styles seen at Xanadu and confirm the geochemical associations previously identified by MRG.

Planning is underway for drilling at Xanadu during the first half of 2014. Access to the proposed drill sites is being checked following the recent passage of Cyclone Christine in late 2013 and subsequent heavy rain through the Pilbara Region.



East Yilgarn Project (Gold & Nickel)

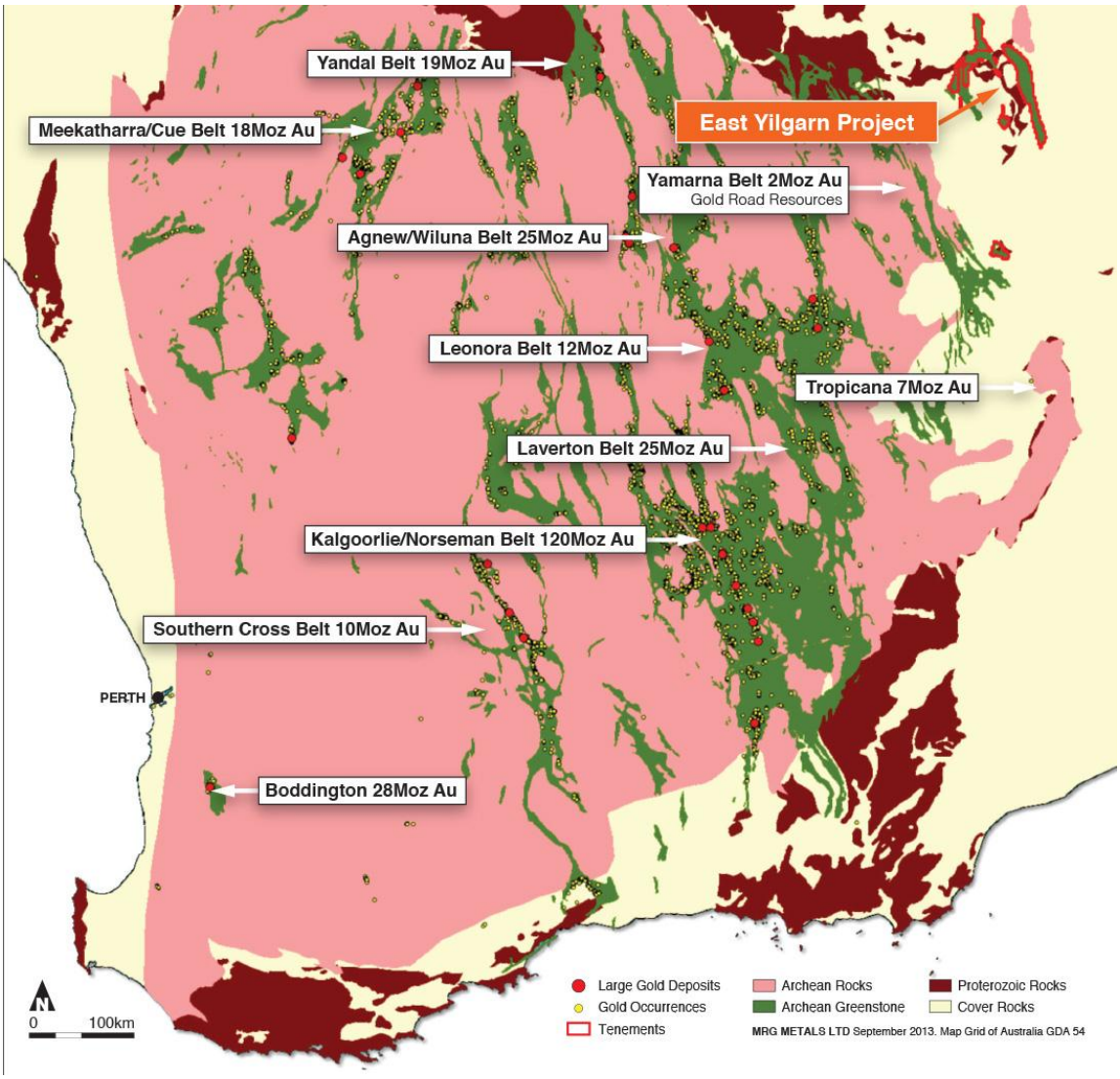
MRG's East Yilgarn Project is located at the eastern edge of the Yilgarn Craton - it represents a high risk exploration initiative in frontier terrain. MRG has generated a significant amount of new data through the flying of an airborne geophysical survey over the main part of the Project area, which has provided an enhanced understanding of the geology in this part of the Craton. This is a major exploration commitment, both in the generation of new, high quality data and in the search for mineral deposits in a frontier environment.

In recognition of the exploration proposed in this under explored area, MRG has recently received co-funding for drilling from the Western Australian Government under the co-funded Government — Industry Drilling Program Exploration Incentive Scheme ('EIS'). Under the EIS, funds committed by MRG towards the approved drill program will be matched by funds from the Western Australian Government, up to a maximum of $112,500.

Following the processing and interpretation of the geophysical data covering the East Yilgarn Project, those parts that were either devoid of compelling geophysical targets or under substantial depth of cover, were surrendered.

Predictive modelling by Sasak Technical focused on a number of key areas with achievable exploration depths. Depth to basement has been calculated to be as little as 50 metres below surface over one target, with other basement targets calculated to be in the range from 100 to 400 metres below surface. One of these deeper targets will be tested by utilising the EIS drilling co-funding received by MRG from the Western Australian Government.

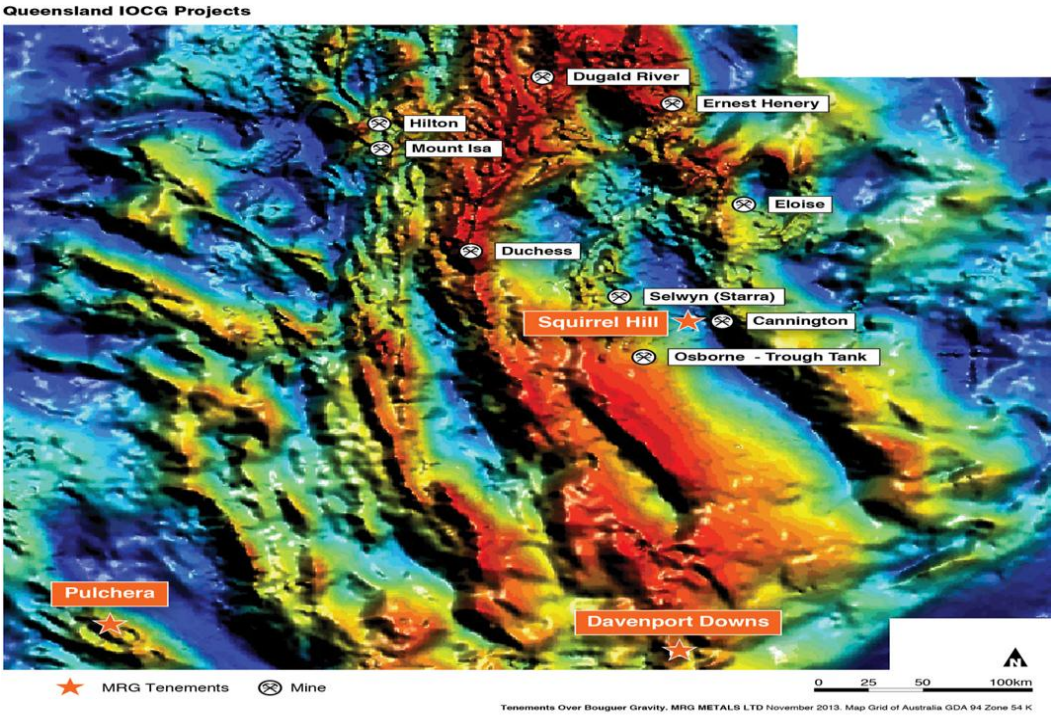
Geochemical surveys are planned to commence in Q2 2014 over the shallower areas, whilst the balance of the deeper targets will likely require additional geophysical analysis and while of interest, are of lower priority at this stage.



Queensland Iron Oxide Copper Gold Projects

From the purchase of Sasak Resources, MRG acquired three tenements in the Mt. Isa Block; a large geological province in western Queensland. These tenements include a granted licence known as Davenport Downs (37.8km^2), granted in mid 2014 and pending applications at Squirrel Hill (6.3km^2) and Pulchera (129.2km^2). Sasak Technical's analysis has identified these areas as having the potential for Iron Oxide, Copper and Gold deposits with similar characteristics to known deposits, such as the Ernst Henry deposit (170 million tonne, at 1.7% Copper and 0.54% Gold) located in the northern part of the Mount Isa Block.

An offer of grant for MRG's two other IOCG exploration licences was received from the Queensland Government in late 2013. The licences, numbered EPM 19470 & EPM 19471 will be granted following the completion of Native Title notification requirements and submission of Environmental Management Plans. Compilation and analysis of current geochemical & geophysical data has commenced as a precursor to on ground exploration.



Loongana (Nickel & Platinum Group Elements)

The Loongana Project comprises a single exploration licence of 220km² which is approximately 480km east of Kalgoorlie WA and 50km north of the Trans Australia Railway.

The Project covers the major part of an interpreted large layered mafic - ultramafic complex buried under cover. MRG is to test this complex for Platinum mineralisation, either as strataform or stratabound reef within the complex, or associated with disseminated to massive Nickel - Copper sulphides in the margins.

Initial analysis of geophysical data covering the Loongana exploration licence has identified six coincident magnetic and gravity high which will be the focus of future exploration. Further analysis will be completed to refine these exploration targets that are planned to be tested in second half of 2014.

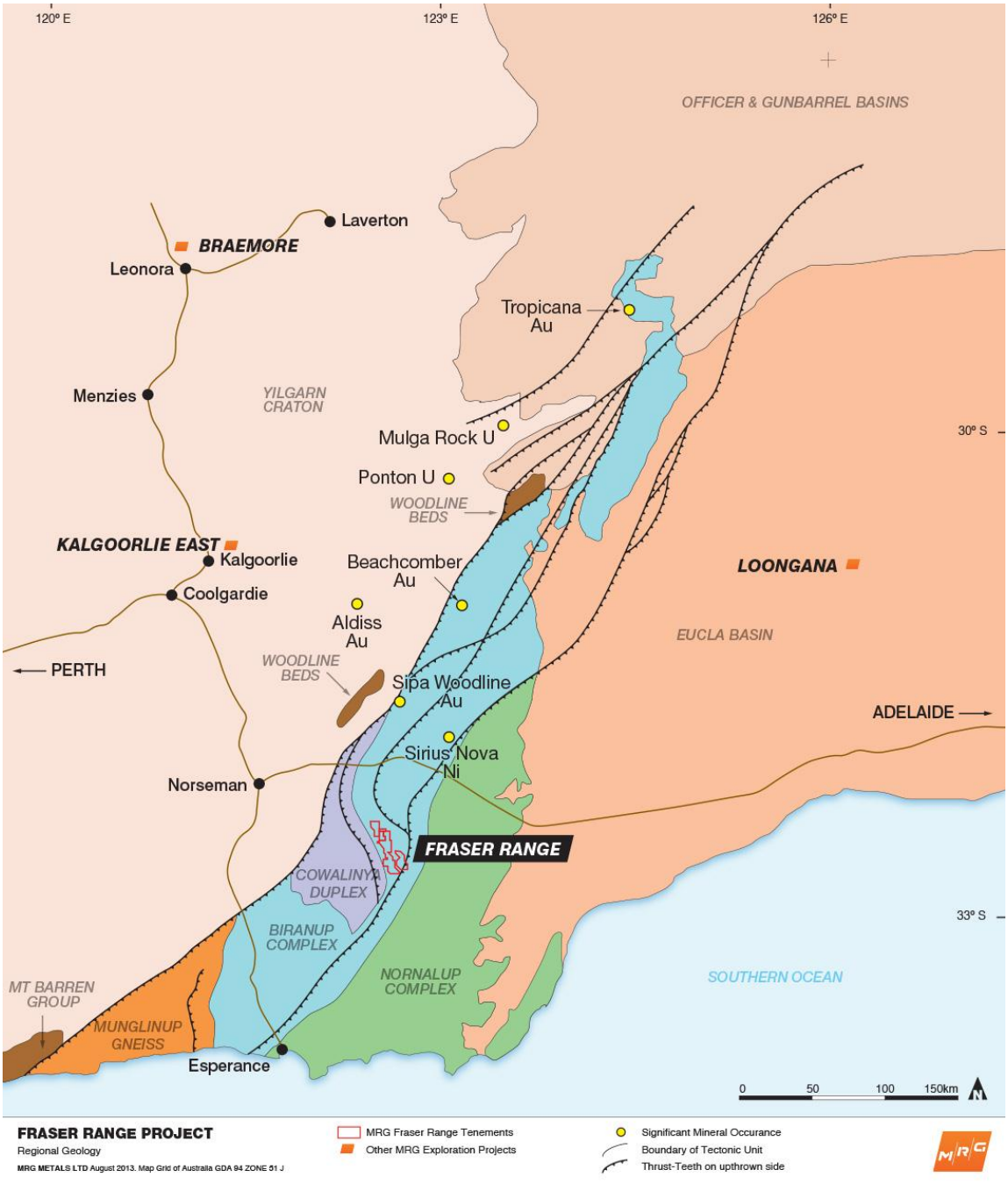
Fraser Range (Gold)

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 licence applications are 400km southwest of the Tropicana +5 million ounce Gold discovery and 80km southwest of the Nova Nickel-Copper discovery by Sirius Resources Ltd. The Tropicana Gold deposit represents the first major discovery within this geological province, located along an ancient collision zone between the Yilgarn Craton and the Albany-Fraser Orogen. The geological setting was previously seen to not be prospective for Gold deposits.

The MRG applications are within the 'B' Class Dundas Nature Conservation Reserve and are yet to be granted due to an unresolved environmental matter. We have received advice that high level inter Departmental negotiations between the Departments of Mines & Petroleum ('DMP') and Environment & Conservation ('DEC') are still ongoing regarding the environmental conditions that should apply to exploration licences within the Dundas Nature Reserve. Although some companies are actively exploring within the Reserve, no new licences have been granted access to the Reserve

since February 2012. MRG's first application was made on 27 March 2012 and initially referred to DEC on 13 June 2012. MRG is monitoring the ongoing negotiations between DMP & DEC and is seeking a meeting with the Department's on a timely resolution of the issue so that grant of the licences may proceed.



Braemore (Gold & Base Metals)

The Braemore Project is 8 kilometres north east of Leonora in the Eastern Goldfields of Western Australia, within the regionally significant north north-westerly trending Keith-Kilkenny Tectonic Zone.

A review by Sasak Technical of exploration data held on the Project focused on the Gold and Base Metal potential. The significance of the geochemical anomalies found are being further assessed and a decision will made on further exploration will be made on the continuation of the licences in early 2104.

Collie South Project (Thermal Coal)

On completion of the Sasak acquisition, the Collie South Project was the first area to be assessed using the technology based methods. Earlier exploration had demonstrated proof of concept, with Coal being found in two separate areas.

As a result of this review, MRG decided to withdraw from the Joint Venture on the Collie South Coal Project. The Board resolved that given the state of the Thermal Coal market and the number of other of highly prospective targets in MRG's portfolio, shareholders were best served by returning the licence to the original holder and MRG withdrew from the Joint Venture in July 2013.

The information in this 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 (commenced 12/8/13)
- Mr Shane Turner
- Mr Albert Pietrzak (ceased 8/10/13)

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 $1,282,086 (31/12/12 loss $257,495).

Earnings per share during the half year were ($0.96) (31/12/12 ($0.29).

Dividends

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

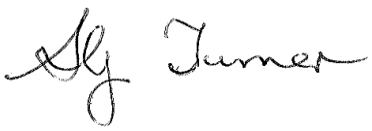
Events arising since the end of the reporting period

No significant events have arisen since 31 December 2013.

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 13 of this financial report and forms part of this Directors report.

Signed in accordance with a resolution of the directors.



Shane Turner
Director

Date: 25 February 2014

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Auditor's Independence Declaration To The Directors of MRG Metals Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of MRG Metals Limited for the half-year ended 31 December 2013, 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

B.L Taylor
Partner - Audit & Assurance

Melbourne, 25 February 2014

Grant Thornton Audit Pty Ltd ACN 130 913 594

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Statement of Financial Position

As at 31 December 2013

	Notes	Consolidated 31 December 2013 $	Consolidated 30 June 2013 $
Assets			
Current			
Cash and cash equivalents		2,072,660	3,110,575
Other receivables		57,663	116,295
Current assets		2,130,323	3,226,870
Non-current			
Plant and equipment		368	368
Exploration and evaluation		8,878,348	8,665,546
Intangibles		1,532,625	2,043,500
Non-current assets		10,411,341	10,709,414
Total assets		12,541,664	13,936,284
Liabilities			
Current			
Trade and other payables		40,783	153,317
Current liabilities		40,783	153,317
Total liabilities		40,783	153,317
Net assets		**12,500,881**	**13,782,967**
Equity			
Share capital	8	15,934,536	15,934,536
Retained earnings		(3,433,655)	(2,151,569)
Total equity		**12,500,881**	**13,782,967**

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 2013

		Consolidated	
	Notes	**31 December 2013**	**31 December 2012**
		$	**$**
Revenue		46,909	100,821
Employee benefits expense		(206,338)	(156,770)
Exploration expenses/tenements written off	6	(403,000)	-
Amortisation of Intangibles	7	(510,875)	-
Administration expense		(208,782)	(201,546)
Loss before tax		**(1,282,086)**	**(257,495)**
Tax expense		-	-
Loss after tax		**(1,282,086)**	**(257,495)**
Other comprehensive income, net of tax		-	-
Total comprehensive loss		**(1,282,086)**	**(257,495)**

		Cents	**Cents**
Basic earnings per share			
Earnings from continuing operations	3	(0.96)	(0.29)
Diluted earnings per share			
Earnings from continuing operations	3	(0.96)	(0.29)

The accompanying notes form part of these financial statements.

Statement of Changes in Equity

For the half-year ended 31 December 2013

Consolidated	Share capital	Retained earnings	Total equity
	$	$	$
Balance at 1 July 2013	15,934,536	(2,151,569)	13,782,967
Transactions with owners:			
Loss for the period	-	(1,282,086)	(1,282,086)
Balance at 31 December 2013	**15,934,536**	**(3,433,655)**	**12,500,881**
Balance at 1 July 2012	7,384,536	(1,080,716)	6,303,820
Transactions with owners:			
Loss for the period	-	(257,495)	(257,495)
Balance at 31 December 2012	**7,384,536**	**(1,338,211)**	**6,046,325**

The accompanying notes form part of these financial statements.

Statement of Cash Flows

For the half-year ended 31 December 2013

	Consolidated	
	31 December 2013 $	**31 December 2012 $**
Operating activities		
Receipts from customers	-	-
Payments to suppliers and employees	(482,734)	(328,898)
Net cash (used in) operating activities	(482,734)	(328,898)
Investing activities		
Payment for exploration & evaluation	(652,046)	(397,512)
Interest received	96,865	100,821
Net cash (used in) investing activities	(555,181)	(296,691)
Financing activities		
Net cash from (used in) financing activities	-	-
Net change in cash and cash equivalents	(1,037,915)	(625,589)
Cash and cash equivalents, beginning of period	3,110,575	4,362,737
Cash and cash equivalents, end of period	2,072,660	3,737,148

The accompanying notes form part of these financial statements.

Notes to the condensed 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 2013.

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 2013 $	Consolidated 6 months to 31 December 2012 $
Loss after income tax	(1,282,086)	(257,495)
Weighted average number of shares used in basic earnings per share	133,166,000	88,166,000
Weighted average number of shares used in diluted earnings per share	133,166,000	88,166,000

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 is being amortised over this period.

7 Impairment of non financial assets

There was no impairment during the six months ended 31 December 2013; except some small East Yilgarn tenements were forfeited because they did not meet the criteria for retaining after review of data from the airborne geophysical survey.

8 Share Capital

	Note	Number of Ordinary Shares	Number of Options	Consolidated $
Movements in share capital:				
Balance at 1 July 2012		86,166,000	44,007,993	7,384,536
Balance at 31 December 2012		**88,166,000**	**44,007,993**	**7,384,536**
Balance at 1 July 2013		133,166,000	44,007,993	15,934,536
Balance at 31 December 2013		**133,166,000**	**44,007,993**	**15,934,536**

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 2013 $	30 June 2013 $
Exploration and evaluation: Within 12 months	962,000	1,046,880
	962,000	**1,046,880**

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 Bird Cameron, an entity associated with Mr. Turner. The amounts billed were based on normal market rates and amounted to $26,100 for the six months (2012 $26,800).

12 Events after the reporting date

No significant events have arisen since 31 December 2013.

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

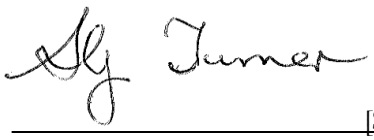
      i. giving a true and fair view of its financial position as at 31 December 2013 and of its performance for the half-year ended on that date; and

      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 25th day of February 2014



[Shane Turner]

Director



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

We have reviewed the accompanying half-year financial report of MRG Metals Limited ("Company"), which comprises the statement of financial position as at 31 December 2013, 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 a statement or description of accounting policies, other explanatory information and the directors' declaration.

Directors' responsibility for the half-year financial report

The directors of MRG Metals Limited 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 Limited financial position as at 31 December 2013 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 Limited, 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

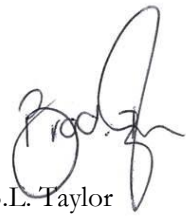
Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of MRG Metals Limited is not in accordance with the Corporations Act 2001, including:

c giving a true and fair view of the Company's financial position as at 31 December 2013 and of its performance for the half-year ended on that date; and

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



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



B.L. Taylor
Partner - Audit & Assurance

Melbourne, 25 February 2014