

# Annual Report

MRG Metals Ltd

ABN: 83 148 938 532

For the period 24 January 2011  
to 30 June 2011

# Contents

	<b>Page</b>
Corporate Directory	3
Directors' Report	4
Auditor's Independence Declaration	12
Review of Operations	13
Corporate Governance Statement	20
Statement of Financial Position	26
Statement of Comprehensive Income	27
Statement of Changes in Equity	28
Statement of Cash Flows	29
Notes to the Consolidated Financial Statements	
1. Nature of Operations	30
2. General Information and Statement of Compliance	30
3. Changes in Accounting Policies	30
4. Summary of Accounting Policies	30
5. Revenue	34
6. Segment Reporting	34
7. Other Receivables	35
8. Cash and Cash Equivalents	35
9. Equity	35
10. Employee Remuneration	36
11. Trade and Other Payables	37
12. Exploration and Evaluation	37
13. Income Tax Expense	37
14. Auditor Remuneration	38
15. Earnings per Share and Dividends	38
16. Reconciliation of Cash Flows from Operating Activities	39
17. Related Party Transactions	39
18. Contingent Assets and Contingent Liabilities	40
19. Commitments	40
20. Financial Instrument Risk	41
21. Capital Risk Management	42
22. Post-Reporting Date Events	42
23. Parent Entity Information	43
24. Authorisation of Financial Statements	43
Directors' Declaration	44
Independent Auditor's Report	45
ASX Additional Information	48

## Corporate Directory

### Directors & Secretary

---

Albert Pietrzak

Non Executive Chairman

Andrew Van Der Zwan

Managing Director and Chief Executive Officer

Shane Turner

Non Executive Director and Company Secretary

### Principal place of business

---

Level 8, 350 Collins Street, Melbourne VIC 3000

Telephone: +61 3 9642 8575 Fax: +61 3 96425662

Email: [info@mrgmetals.com.au](mailto:info@mrgmetals.com.au)

[www.mrgmetals.com.au](http://www.mrgmetals.com.au)

### Registered office

---

Level 1, 1-3 Bath Lane, Ballarat Victoria 3350

PO Box 237, Ballarat VIC 3353

Telephone: +61 3 5330 5800 Fax: +61 3 5333 1667

### Corporate accountant and Registered ASIC Agent

---

RSM Bird Cameron

Level 1, 1-3 Bath Lane, Ballarat VIC 3350

PO Box 685, Ballarat VIC 3353

Telephone: +61 3 5330 5800 Fax: +61 3 5333 1667

[www.rsmi.com.au](http://www.rsmi.com.au)

### Solicitors

---

Middletons

Level 25, 525 Collins Street, Melbourne VIC 3000

Telephone: +61 3 9205 2000 Fax: +61 3 9205 2055

[www.middletons.com](http://www.middletons.com)

### Share Registry

---

Link Market Services Limited

Ground Floor, 178 St Georges Terrace, Perth WA 6000

Telephone: 1300 554 474

### Auditor

---

Grant Thornton Audit Pty Ltd

Level 2, 215 Spring Street, Melbourne Vic 3000

Telephone (office): +61 3 8663 6000 Fax: +61 3 8663 6333

Email: [brad.taylor@au.gt.com](mailto:brad.taylor@au.gt.com)

Website: [www.grantthornton.com.au](http://www.grantthornton.com.au)

### Stock Exchange Listing

---

ASX Codes: MRQ , MRQO

## Directors' Report

The Directors of MRG Metals Ltd present their Report together with the financial statements of the consolidated entity, being MRG Metals Ltd ('the Company') and its controlled entity, MRG Metals (Australia) Pty Ltd ('the Group') for the period ended 30 June 2011 and the Independent Audit Report thereon. The Company was incorporated on 24 January 2011 and this Report is for the period from 24 January 2011 to 30 June 2011.

### Director details

The following persons were directors of MRG Metals Ltd during or since the end of the financial year.

**Mr Andrew Van Der Zwan**  
**BA Chemical Engineering**

Managing Director

Director since 14/02/2011

Andrew has 25 years engineering and commercial experience, both local and international. He was a Non Executive Director of Gulfx Ltd for 11 years and was employed in various senior positions within the worldwide operations of Exxon Mobil for 17 years.

Other current directorships:

None

Previous directorships (last 3 years):

None

Interests in shares:

2,160,000 shares

Interest in options:

1,080,000 options

**Mr Albert Pietrzak**  
**BA Mechanical Engineering**

Independent Non-Executive Director

Independent Chairman

Director since incorporation 24/01/2011

Albert has 40 years engineering and commercial experience. He was Managing Director of an engineering company for 33 years. He is a fully qualified IFR pilot, an engineering consultant and an investor.

**Mr Albert Pietrzak (continued)**

Other current directorships:

None

Previous directorships (last 3 years):

None

Interests in shares:

2,130,000 shares

Interest in options:

1,065,000 options

**Mr Shane Turner**  
**CA, Bachelor of Business**

Independent Non-Executive Director

Director since incorporation 24/01/2011

Shane is a Chartered Accountant and has 23 years financial and accounting experience. He has been employed with KPMG, a large regional public accounting practice, operated his own public accounting practice and now is employed with RSM Bird Cameron. He was a Non Executive Director and Company Secretary for Metminco Ltd for 2 years.

Other current directorships:

None

Previous directorships (last 3 years):

Metminco Ltd

Interests in shares:

1,470,000 shares

Interest in options:

735,000 options

**Mr Nicholas Fammartino**

Independent Non-Executive Director

Director since incorporation 24/01/2011 and resigned 14/02/2011

Other current directorships and previous directorships (last 3 years) are for listed entities only and exclude all other types of directorships, unless otherwise stated.

Interests in shares and options stated above are at the date of this financial report.

### Company secretary

Shane Turner is a Chartered Accountant and the Group Chief Financial Officer. Shane has held senior positions with a number of professional accounting firms and has a degree in Business. Shane has previously held the role of company secretary for Metminco Ltd for 2 years. He has been the company secretary of MRG Metals Ltd since incorporation on 24/01/2011.

### Principal activities

During the period, the principal activities of entities within the Group were exploration and development of gold, 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 period since incorporation on 24 January 2011 was a loss of \$316,660. Refer detailed Review of Operations that follows this report.

Earnings per share (1.33) cents.

Since listing, monies raised have been used consistent with that described in the IPO Prospectus, including:

- augment the Company's exploration of mining tenements,
- assist the Company to identify and assess new mining opportunities,
- finance the acquisition of interests in mineral properties,
- meet the Company's ongoing administration and corporate overhead expenses, and
- meet the one-off expenses of the offer.

Further information on the detailed operations of the Group during the year are included later in the Review of Operations Report.

### Significant changes in the state of affairs

During the year, the following changes occurred within the Group:

- Incorporation of Company On 24 January 2011, the Group was incorporated. A total of 14,800,000 shares were issued to Directors and Consultants and Promoters raising \$74,000 before costs.
- Information Memorandum On 22 February 2011, the Company issued an Information Memorandum. A total of 50,000,000 shares were issued to seed capitalists raising \$3,125,000 before costs.
- On 11 March 2011 the Company issued 3,600,000 shares to promoters for assistance in raising seed capital at an issue price of \$0.001 which raised \$3,600.

- Initial Public Offering

On 5 April 2011, the Company issued a Prospectus. A total of 12,466,000 shares were issued to the public raising \$2,493,200 before costs.

- Tenement Acquisitions On 8 June 2011, the Company was listed on the ASX. On this listing, tenement acquisitions were completed which resulted in a total of 5,250,000 shares being issued and payment of \$62,354 (refer note 12).

### Dividends

There were no dividends declared or paid during the financial period.

### Events arising since the end of the reporting period

Since the end of the year the following significant events have occurred:

- On 4 July 2011, the Group completed the acquisition of tenements prospective for Gold at Kalgoorlie East, WA. This resulted in 1,000,000 shares being issued and payment of \$20,000;
- On 26 July 2011, the Group completed an option for the 30% acquisition of tenements prospective for Coal and Bauxite at Collie South, WA. This resulted in 1,000,000 shares being issued and payment of \$50,000; and
- On 12 August 2011, the Company issued a non renounceable Options Prospectus for 1 option for every 2 shares held, to issue up to 44,058,000 options and raise \$440,580 before costs. On 28 September 2011, the Company allotted 38,816,708 options, to raise \$388,167. These options are exercisable at \$0.25 within five years.
- There are no other events occurring since the end of the year that have, or may, significantly affect the Group's operations, results of those operations or the state of affairs of the Group.

### Likely developments

Information on likely developments in the Group's operations and the expected results have not been included in this report because the directors believe it would likely result in unreasonable prejudice to the Group.

### Directors' meetings

The number of meetings of directors held during the period and the number of meetings attended by each director were as follows:

Name	Board meetings	
	A	B
Andrew Van Der Zwan	8	7
Albert Pietrzak	10	10
Shane Turner	10	10
Nicholas Fammartino	3	3

Where:

A is the number of meetings the Director was entitled to attend

B is the number of meetings the Director attended

### **Remuneration Report (audited)**

The Directors of MRG Metals Ltd ('the Group') present the Remuneration Report prepared in accordance with the Corporations Act 2001 and the Corporations Regulations 2001.

The remuneration report is set out under the following main headings:

- a. Principles used to determine the nature and amount of remuneration
- b. Details of remuneration
- c. Service agreements
- d. Share-based remuneration

#### **(a) Principles used to determine the nature and amount of remuneration**

The principles of the Group's executive strategy and supporting incentive programs and frameworks are:

- To align rewards to business outcomes that deliver value to shareholders;
- To drive a high performance culture by setting challenging objectives and rewarding high performing individuals; and
- To ensure remuneration is competitive in the relevant employment market place to support the attraction, motivation and retention of executive talent.

MRG Metals Ltd has structured a remuneration framework that is market competitive and complementary to the reward strategy of the Group.

The Board, in accordance with its charter as approved by the Board, is responsible for determining and reviewing compensation arrangements for the directors and the executive team.

The Board may engage independent external consultants and advisors to provide any necessary information to assist in the discharge of its responsibilities.

The remuneration structure that has been adopted by the Group consists of the following components:

- Fixed remuneration being annual salary; and
- Superannuation to meet statutory obligations.

The Board assesses the appropriateness of the nature and amount of remuneration on a periodic basis by reference to recent employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and executive team.

The payment of bonuses, share options and other incentive payments are reviewed by the Board annually as part of the review of executive. All bonuses, options and incentives must be linked to pre-determined performance criteria.



**(b) Details of remuneration**

Details of the nature and amount of each element of the remuneration of each key management personnel ('KMP') of MRG Metals Ltd are shown in the table below. The \$5,000 paid to Pietrzak was in recognition of outstanding contribution to the successful capital raising in connection with the IPO.

Director and other Key Management Personnel Remuneration

Name	Short term employee benefits			Post-employment benefits	Long-term benefits	Termination benefits	Share-based payments	Total (\$)	% of remuneration that is performance based
	Cash salary and fees (\$)	Cash bonus (\$)	Non-monetary benefits (\$)	Superannuation (\$)	Long-term bonus (\$)	Termination payments (\$)	Options (\$)		
Executive director									
Van Der Zwan	56,250	-	-	5,063	-	-	-	61,313	Nil
Non-executive directors									
Pietrzak	20,833	5,000	-	1,875	-	-	-	27,708	Nil
Turner	35,833	-	-	3,225	-	-	-	39,058	Nil
Fammartino	-	-	-	-	-	-	-	-	Nil
2011 Total	112,916	5,000	-	10,163	-	-	-	128,079	Nil

### (c) Service agreements

Remuneration and other terms of employment for the Executive Directors and other Key Management Personnel are formalised in a service agreement. The major provisions of the agreements relating to remuneration are set out below:

Name	Base salary	Term of agreement	Notice period
Van Der Zwan	150,000	Three Years	Six Months
Pietrzak	50,000	Rotation per Corporations Act 2001	Nil
Turner - Director	50,000	Rotation per Corporations Act 2001	Nil
Turner - Secretary	36,000	No fixed term	Nil

### (d) Share based remuneration

During the year, there was no share based remuneration paid or outstanding.

End of audited remuneration report.

### Environmental legislation

The Group's projects are subject to environmental regulation under laws of the Commonwealth and States and Territories in Australia, specifically the Group is required to comply with terms of the grant of the tenement and all directions given to it under those terms of the tenement which it holds. There have been no known breaches of the tenement conditions, and no such breaches have been notified by any government agency during the period ended 30 June 2011.

### Indemnities given and insurance premiums paid to auditors and officers

During the year, MRG Metals Ltd negotiated a premium to insure officers of the Group. The officers of the Group covered by the insurance policy include all directors.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the Group, and any other payments arising from liabilities incurred by the officers in connection with such proceedings, other than where such liabilities arise out of conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else to cause detriment to the Group.

Details of the amount of the premium paid in respect of the insurance policies are not disclosed as such disclosure is prohibited under the terms of the contract.

The Group has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify any current or former officer or auditor of the Group against a liability incurred as such by an officer or auditor.

### Non-audit services

During the year, Grant Thornton Audit Pty Ltd, the Group's auditors, performed certain other services in addition to their statutory audit duties.

The Board has considered the non-audit services provided during the year by the auditor and is satisfied that the provision of those non-audit services during the year is compatible with, and did not compromise, the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- All non-audit services were subject to the corporate governance procedures adopted by the Group and have been reviewed by the Board to ensure they do not impact upon the impartiality and objectivity of the auditor; and
- The non-audit services do not undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Group, acting as an advocate for the Group or jointly sharing risks and rewards.

Details of the amounts paid to the auditors of the Group, Grant Thornton Audit Pty Ltd, and its related practices for audit and non-audit services provided during the year are set out in note 14 to the Financial Statements.

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.

#### **Proceedings of behalf of the Company**

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

Signed in accordance with a resolution of the directors.



Albert Pietrzak  
Chairman

28 September 2011



Grant Thornton Audit Pty Ltd  
ACN 130 913 594

Level 2  
215 Spring Street  
Melbourne  
Victoria 3000  
GPO Box 4984  
Melbourne  
Victoria  
3001

T +61 3 8663 6000  
F +61 3 8663 6333  
E [info.vic@au.gt.com](mailto:info.vic@au.gt.com)  
W [www.grantthornton.com.au](http://www.grantthornton.com.au)

**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 audit of MRG Metals Limited for the period ended 30 June 2011, 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 audit; and
- b. no contraventions of any applicable code of professional conduct in relation to the audit.

A stylized, handwritten signature in black ink that reads "Grant Thornton".

GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants

A stylized, handwritten signature in black ink that appears to read "B Taylor".

B Taylor  
Director – Audit & Assurance

Melbourne, 28 September 2011

Grant Thornton Australia Limited is a member firm within Grant Thornton International Ltd. Grant Thornton International Ltd and the member firms are not a worldwide partnership. Grant Thornton Australia Limited, together with its subsidiaries and related entities, delivers its services independently in Australia.

Liability limited by a scheme approved under Professional Standards Legislation

## Review of Operations

### Highlights:

- Raising \$2.5 million of new equity via an IPO in June 2011
- In excess of \$5 million in cash at time of listing.
- Finalising the acquisition of 5 Projects in conjunction with the IPO namely
  - Xanadu Gold project
  - Braemore Battery Copper and Gold project
  - Mulgul Copper and Gold project
  - Diorite Gold Project
  - Bell Chambers Gold project
- Acquisition of prospective Kalgoorlie East Gold project
  - And subsequent identifying high Gold and Nickel anomalies
- Acquisition of prospective Collie South Coal project
  - Appointment of consulting Geologist based in Perth
- Appointment of Western Tenement Services to administer tenements
- Issue of 1:2 non renounceable option rights entitlement
- Market capitalisation of in excess of \$25 million

### Executive summary of exploration activities and acquisitions

MRG Metals Ltd ("MRG") listed in June 2011 with a suite of Gold and Copper projects within the Gold belt of WA. After listing, MRG has aggressively pursued and been successful in obtaining 2 unique opportunities. The first was the Kalgoorlie East Gold project with outstanding characteristics, which significantly enhances the Company's Gold prospects. Secondly, the Board determined that expansion into Coal, in regions consistent with the existing tenements, would add diversity to the portfolio and provide significant upside given the potential size and value of the project. This resulted in the acquisition of the Collie South Coal project.

The Board continues to look for additional unique opportunities, but is now prioritising activities to best deliver near term exploration success. As a result, it is likely that the Kalgoorlie East Gold, Collie South Coal and Xanadu Gold projects will attract the majority of Management's focus in the next 12 months.

As the Company was incorporated in January 2011 and listed in June 2011; the majority of activities listed below occurred in the latter part of the financial year ended 30 June 2011, and in the first quarter of the new financial year.

### PROJECT ACTIVITIES:

#### Kalgoorlie East Project

The Kalgoorlie East Project comprises 15 PL's covering over 1,700 Ha located approximately 12km east of Kalgoorlie in Western Australia. The project was acquired by MRG Metals Ltd in July 2011.

The Company immediately commenced exploration by completing an interpretation of publically available aeromagnetic data for gold and nickel targets using mineralised trends and geological settings known to occur



within the Golden Ridge Greenstone Belt. This work led to the identification of nine structural and geological targets considered prospective for gold and nickel.

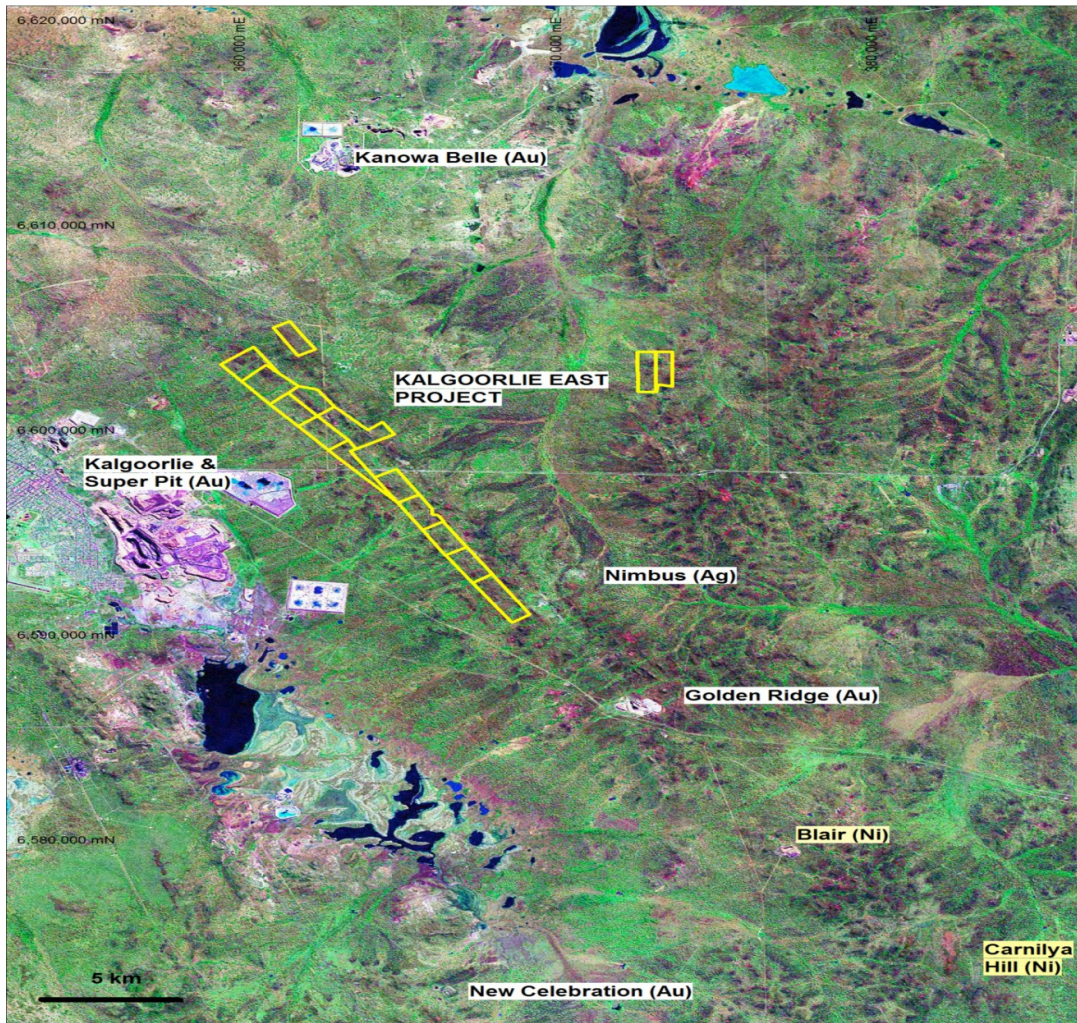
A program of soil sampling was completed, aimed at testing these structural and geological targets. A total of 1,287 geochemical samples were collected on GPS located gridlines generally at 50m x 200m and 50m x 400m spacing. Samples were analysed for a suite of metals including Au (ppb), As, Ag, Cu, Ni, Cr, Pb and Zn (ppm).

Results have been encouraging with several gold (+/- arsenic) anomalies identified within the project area and in some instances associated with structural targets. A peak Au value received from the sampling was 168 ppb Au, with 41 samples returning assay values +40 ppb (3%), and 160 samples returning assay values of +25 ppb (12%) of the 1,287 samples collected.

Distribution of the gold geochemical anomalies appear to show a broad association with geological contacts, generally between mafic-ultramafic rocks and sediments, and follow the broad NNW strike of lithologies within the Golden Ridge Greenstone Belt.

Interpretation of Ni (ppm) assay results (up to 1,586 ppm) in conjunction with other elements considered useful pathfinders (Cr, Cu, Zn) has defined broad areas of interest for further work.

Field checking of several anomalous zones shows positive correlation with geological observations and detailed mapping and infill soil sampling will be completed to better define gold and nickel targets prior to initial drilling and ground geophysics being planned.



## Xanadu

The project is located 38km south east of Paraburdoo in the Proterozoic Ashburton Basin of Western Australia. Gold mineralisation was initially discovered in 1985 by BP Minerals following regional stream sediment programmes.

The project comprises 14 Prospecting Licences covering 12km of northwest trending poorly exposed Proterozoic sediments and carbonates. The project is prospective for Carlin-style gold mineralisation associated with the Duck Creek Dolomite and surrounding sediments.

The project has been the focus for gold and base metals exploration with over 25,000m of drilling since 1993 as well as small scale mining at the Amphitheatre Pit since the early 1990's. However, several areas remain to be fully tested and present themselves as exploration targets which the Company plans to immediately test with drilling.

A small heap leach mining operation was established by Nugold Hills Mines in 1993. A total of 167,000t @ 1.8 g/t Au was reportedly mined and placed on the leach pads with a further 90,000t of lower grade material mined but not processed. It is believed that operational difficulties with the heap leach operation lead to the project being placed on care and maintenance shortly after.

Newcrest Mining Ltd completed substantial exploration programmes at Xanadu from 1999-2006, including the bulk of the previously mentioned 25,000 metres of drilling. This work resulted in the discovery of several prospect areas within the Xanadu Project which require further follow-up work.

Many resource estimates were made before and during the course of the mining operation. None have been made since. Given the lack of QA/QC, geological interpretation, assumed SG and other data these would now be considered non JORC compliant.

The following table lists published resources for the Xanadu Gold Project.

Deposit Category	T	g/t AU	grams AU	Oz AU	JORC
Claudius	90,000	3.20	288,000	9,260	Inferred
Amphitheatre	239,000	2.04	487,560	15,677	Indicated
	109,000	3.67	400,030	12,863	Indicated
	365,000	2.42	883,300	28,402	Indicated
Ceasar	140,000	1.17	163,800	5,267	Indicated
	41,000	2.67	109,470	3,520	Indicated
Stynes	<u>37,000</u>	<u>2.70</u>	<u>99,900</u>	<u>3,212</u>	Indicated
<b>Total</b>	<b>1,021,000</b>	<b>2.38</b>	<b>2,432,060</b>	<b>78,201</b>	

The resources have been estimated by various cross sectional polygonal methods, with differing cut off grades. It is expected that these resources are conservative, and significant potential remains to define additional resources.

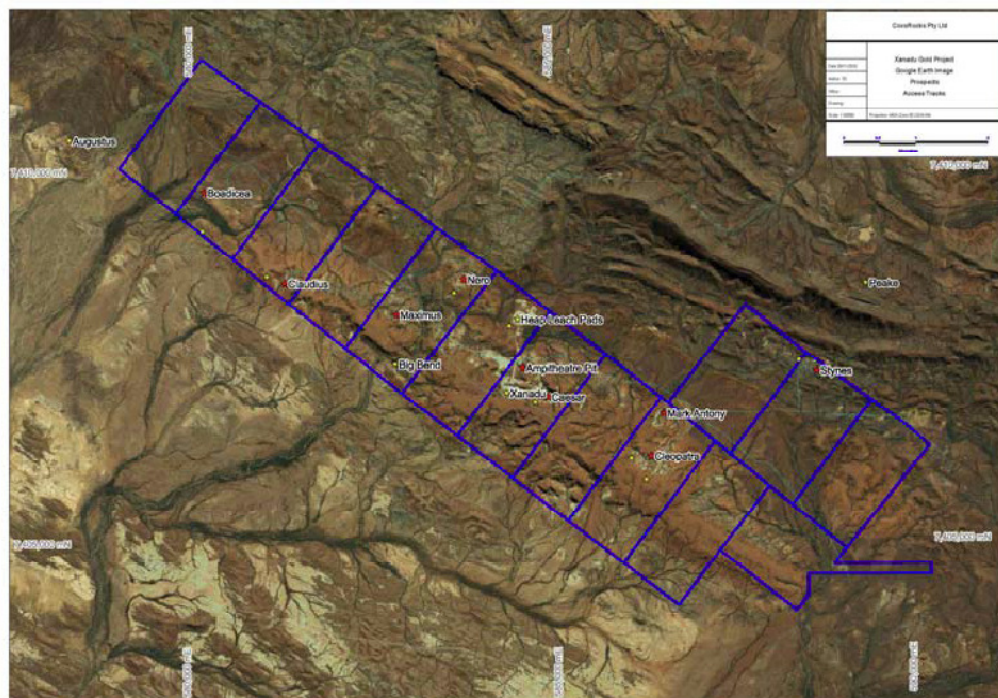
The resources could be readily made JORC Compliant once the geological interpretation is completed and some validation drilling undertaken.

Recent work has consisted of acquisition of all available open file data and entering of assays and collars into a Micromine database. The open pit string was also digitized to produce a digital terrain model of the open



pit with the aim of locating targets below the open pit floor. Due to time constraints, the geological data from the hardcopy drill logs was not digitized.

MRG has recently purchased a digital database that contains historical exploration completed at Xanadu. This data is to be reviewed and updated into the existing MRG database. It is hoped that further targets areas will be identified from this historical data.

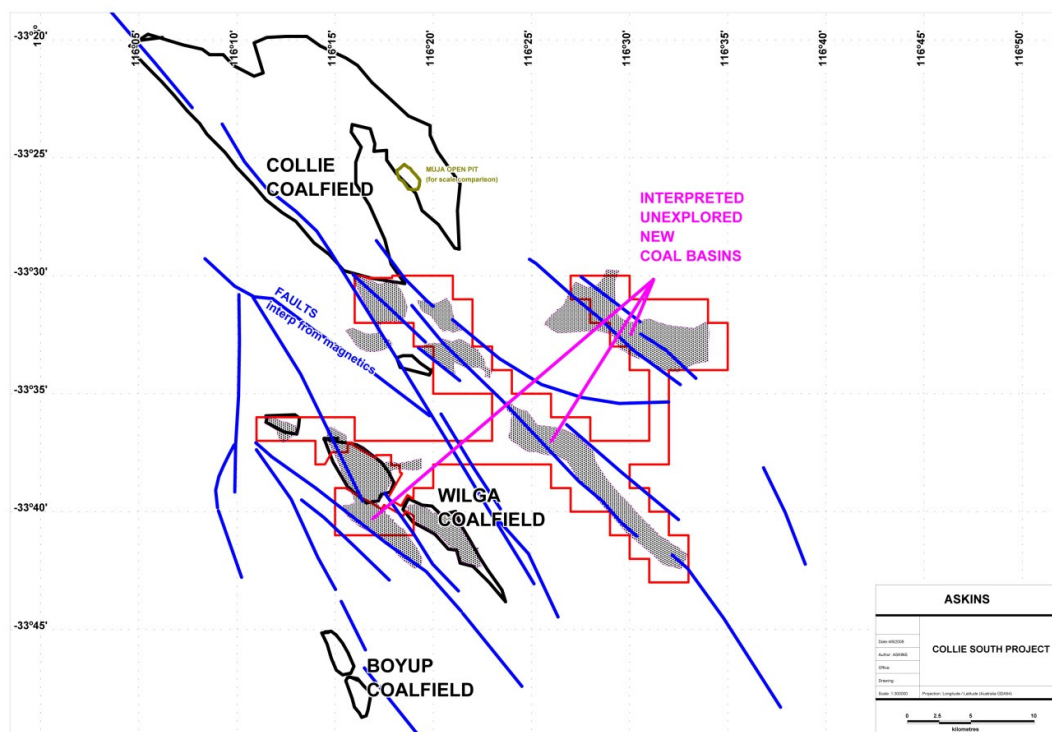


### Collie South Coal

In late July 2011, MRG finalised agreement for an option to acquire a 100% interest of the Collie South Coal project. The project sits in a region of known reserves of 2.4 billion tonnes and confirmed resource in excess of 700 million tonnes. The Collie South target sits within this region and has potential consistent in magnitude. Potential for new coal bearing basins identified in acquired tenements, with limited previous exploration. Collie South Coal project covers 101 Blocks covering >50 km<sup>2</sup> within the Collie basin 26km x 13km x 2km thick. Known Coal fields in the area have similar geological settings.

Since the acquisition, MRG has appointed the services of a locally based consultant Geologist to fast track the development of exploration activities. Recent activities include the compilation of existing digital plans, gravity data, previous drill locations and the acquisition of satellite images. Once the data has been compiled it is planned to undertake ground based gravity surveys in the target zones.

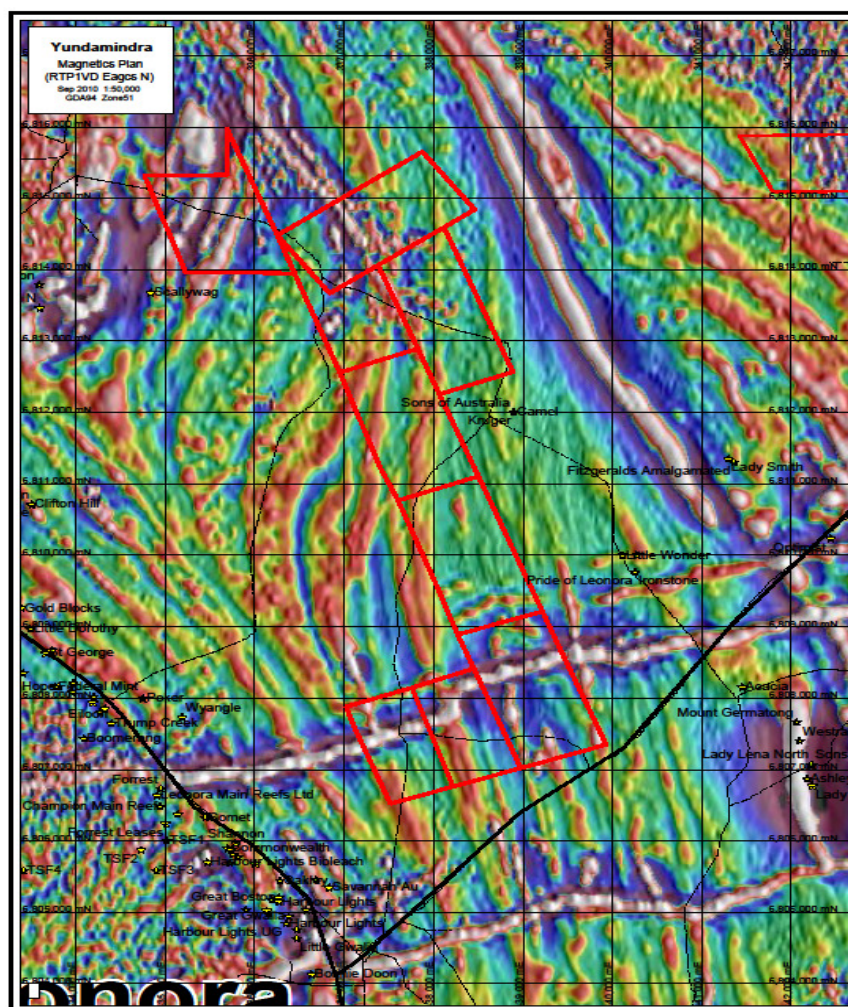




### Braemore Battery Gold and Copper Project

The Braemore Battery Project is located 5-10 kilometres north of the township of Leonora in the Eastern Goldfields, WA. Previous exploration, mainly in the northern portion of the project area resulted in the delineation of several Au-As soil anomalies associated with a structural disruption in sheared Archaean sediments and volcanics. Limited RAB drilling over these soil anomalies had returned intercepts including 4m @ 2 g/t and 4m @ 0.25 g/t Au which the Company plans to follow-up with further soil sampling and drilling.

Field inspection of several of the anomalous zones indicates much of the area has laterite and soil cover over deeply weathered rocks. It is considered that further soil sampling should be utilised to better outline anomalies prior to further drilling.



### Mulgul Gold Project

Mulgul is located 200 kilometres due north of Meekatharra and lies within the Proterozoic Bangemall Basin in the Gascoyne Region. Copper mineralisation occurs within the project at the Mulgul Copper Prospect, where a series of composite shears with narrow limonitic veins have developed. Soil sampling over the workings have identified an anomalous 500mx 300m copper zone which requires infill sampling. Reconnaissance style stream sediment sampling by previous explorers have also identified anomalous gold and copper drainage areas. Further work aimed at testing the significance of these is also planned once the tenement is granted. The project lies 15km south west of the Abra Base Metal deposit (50.3 million tonnes at 4.0% Pb and 10 g/t Ag, and 9.8 million tonnes at 0.6% Cu and 0.5 g/t Au).

A geological review to assess potential target areas is to be completed by the Company.

**The Diorite Gold Project** is located approximately ~30km northwest of Leonora and 10km west of the King of the Hills Gold Mine in the Eastern Goldfields, WA. The project comprises three granted PL's covering a total of 542 Ha (5.4 km<sup>2</sup>), which straddle a granite-basalt contact. Previous work has been of a reconnaissance nature, although structural targets prospective for gold have been interpreted to trend into the project area.

The Company recently completed geological mapping and sampling with no significant results received or geological targets identified.

Finally, **the Bell Chambers Gold project** comprises a single EL south of Sandstone in the Murchison District. Limited exploration within the project has been of a reconnaissance nature only and the tenement is considered to be a grassroots exploration project.

# Corporate Governance Statement

This Corporate Governance Statement sets out the extent to which the Company's practices comply with the ASX Corporate Governance Council's Principles of Good Corporate Governance and Recommendations (**Recommendations**). The Recommendations are not mandatory.

ASX Corporate Governance Council Recommendation	MRG policy	Compliance
<b>Principle 1: Lay solid foundations for management and oversight</b>		
<b>Recommendation 1.1:</b> Companies should establish functions reserved to the board and those delegated to senior executives and disclose those functions	The Company's Corporate Governance framework includes a Board Charter, which details the specific responsibilities of the Board and identifies those areas of authority delegated to senior executives.	Complies
<b>Recommendation 1.2:</b> Companies should disclose the process for evaluating the performance of senior executives	The Board will set performance criteria to review the performance of senior management.	Complies
<b>Recommendation 1.3:</b> Companies should provide the information indicated in the Guide to reporting on Principle 1	The Board Charter is available on the Company's website.	Complies
<b>Principle 2: Structure the board to add value</b>		
<b>Recommendation 2.1:</b> A majority of the board should be independent directors	Two of the Company's three directors, being Albert Pietrzak and Shane Turner, are independent directors.	Complies
<b>Recommendation 2.2:</b> The chair should be an independent director	Albert Pietrzak is the Chairman and is an independent director.	Complies
<b>Recommendation 2.3:</b> The roles of chair and chief executive officer should not be exercised by the same individual	Albert Pietrzak is the Chairman. Andrew Van Der Zwan is the Chief Executive Officer.	Complies
<b>Recommendation 2.4:</b> The board should establish a nomination committee	The Company does not currently have a nomination committee. Board appointments will be decided by the Board as a whole, taking into consideration the needs of the Company at the relevant time.	The Board does not consider it necessary given the size of the Company's current operations.
<b>Recommendation 2.5:</b> Companies should disclose the process for evaluating the performance of the board, its committees and individual directors	The Company Secretary plays an integral role in monitoring the conduct and activities of Board, ensuring the Board has an appropriate mix of skills and experience and reviewing individual director's performance.	Complies

ASX Corporate Governance Council Recommendation	MRG policy	Compliance
	The Chief Executive Officer is responsible for reviewing the performance of the Company Secretary.	
<b>Recommendation 2.6:</b> Companies should provide the information indicated in the Guide to reporting on Principle 2	This information, where relevant, has been disclosed in the Directors' Report.	Complies
<b>Principle 3: Promote ethical and responsible decision making</b>		
<b>Recommendation 3.1:</b> Companies should establish a code of conduct and disclose the code or a summary of the code as to: <ul style="list-style-type: none"> <li>- the practices necessary to maintain confidence in the company's integrity</li> <li>- the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders</li> <li>- the responsibility and accountability of individuals for reporting and investigating reports of unethical practices</li> <li>- trading in securities of the Company</li> </ul>	The Board has established a Code of Conduct as to the practices necessary to maintain confidence in the Company's integrity; practices necessary to take into account the Company's legal obligations and the reasonable expectations of shareholders and the responsibility and accountability of individuals for reporting and investigating reports of unethical practices. The Code of Conduct is available on the Company's website.	Complies
<b>Recommendation 3.2:</b> Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity for the board and to assess annually both the objectives and progress in achieving them	The Company does not currently have a diversity policy. Once the Company has established its operations, it will develop a policy that complements its needs.	Board is committed to review and prepare appropriate Diversity policy.
<b>Recommendation 3.3:</b> Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them	The Company does not currently have a diversity policy. Once the Company has established its operations, it will develop a policy that complements its needs.	Board is committed to review and prepare appropriate Diversity policy.
<b>Recommendation 3.4:</b> Companies should disclose in each annual	None at present.	None at present due to the size of Company.



ASX Corporate Governance Council Recommendation	MRG policy	Compliance
report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board		
<b>Recommendation 3.5:</b> Companies should provide the information indicated in the Guide to reporting on Principle 3	The Code of Conduct and the diversity policy (once established) will be available on the Company's website.	Board is committed to review and prepare appropriate Diversity policy.
<b>Principle 4: Safeguard integrity in financial reporting</b>		
<b>Recommendation 4.1:</b> The board should establish an audit committee	The Company does not currently have an audit committee. The functions of this committee will be carried out by the whole Board. The Company Secretary has significant experience in financial and accounting matters and will be primarily responsible for monitoring and preparing the financial reports. External resources will be commissioned where necessary.	The Board does not consider it necessary given the size of the Company's current operations.
<b>Recommendation 4.2:</b> The audit committee should be structured so that it: <ul style="list-style-type: none"> <li>- consists only of non-executive directors</li> <li>- consists of a majority of independent directors</li> <li>- is chaired by an independent chair, who is not chair of the board</li> <li>- has at least 3 members</li> </ul>	Refer to comments in 4.1 above.	Refer to comments in 4.1 above.
<b>Recommendation 4.3:</b> The audit committee should have a formal charter	Refer to comments in 4.1 above.	Refer to comments in 4.1 above.
<b>Recommendation 4.4:</b> Companies should provide the information indicated in the Guide to reporting on Principle 4	Refer to comments in 4.1 above.	Refer to comments in 4.1 above.
<b>Principle 5: Make timely and balanced disclosure</b>		
<b>Recommendation 5.1:</b> Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure	The Company has established a Continuous Disclosure Policy which applies to all directors and senior management.	Complies

ASX Corporate Governance Council Recommendation	MRG policy	Compliance
accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies		
<b>Recommendation 5.2:</b> Companies should provide the information indicated in the Guide to reporting on Principle 5	The Company's Continuous Disclosure Policy will be available on the Company's website.	Complies
<b>Principle 6: Respect the rights of shareholders</b>		
<b>Recommendation 6.1:</b> Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy	The Company is committed to all shareholders and stakeholders having equal and timely access to material information regarding the operations and results of the Company. Where required, this information will be provided via the ASX. Otherwise, information will be made available on the Company's website.	Complies
<b>Recommendation 6.2:</b> Companies should provide the information indicated in the Guide to reporting on Principle 6	The Company will provide an explanation of any departures (if any) from the best practice recommendations in Principle 6 in its future annual reports.	Complies
<b>Principle 7: Recognise and manage risk</b>		
<b>Recommendation 7.1:</b> Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies	Given the size of the Company's current operations, the Board has formed the view that a separate risk committee is not necessary. The Board itself monitors all areas of operational and financial risk and considers strategies for appropriate risk management arrangements on an ongoing basis. If considered necessary, external input will be sought to assess and counteract identified risks.	Complies
<b>Recommendation 7.2:</b> The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the	The Board will require that Andrew Van Der Zwan, as Managing Director and Chief Executive Officer, design and implement an appropriate risk management and internal control system and provide a report to the Board at the relevant time.	Complies

ASX Corporate Governance Council Recommendation	MRG policy	Compliance
effectiveness of the company's management of its material business risks		
<b>Recommendation 7.3:</b> The board should disclose whether it has received assurance from the CEO and CFO that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks	The Board will seek this assurance from Andrew Van Der Zwan as Chief Executive Officer.	Complies
<b>Recommendation 7.4:</b> Companies should provide the information indicated in the Guide to reporting on Principle 7	The Company will provide an explanation of any departures (if any) from the best practice recommendations in Principle 7 in its future annual reports.	Complies
<b>Principle 8: Remunerate fairly and responsibly</b>		
<b>Recommendation 8.1:</b> The board should establish a remuneration committee	The Company does not currently have a remuneration committee. . The Board is responsible for making recommendations regarding director and management remuneration packages.	The Board does not consider it necessary given the size of the Company's current operations
<b>Recommendation 8.2:</b> The remuneration committee should be structured so that it: <ul style="list-style-type: none"> <li>- consists of a majority of independent directors</li> <li>- is chaired by an independent chair</li> <li>- has at least three members</li> </ul>	Refer to comments in 8.1 above.	Refer to comments in 8.1 above.
<b>Recommendation 8.3:</b> Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives	The Board is aware of the need to ensure remuneration remains competitive and consistent with competitor companies and that remuneration reflects the performance of the Company over time. The directors performing an executive role are remunerated based on the scope of their	Complies



ASX Corporate Governance Council Recommendation	MRG policy	Compliance
	responsibilities and the performance of the Company. Non-executive directors are paid fees as determined by shareholders. The Company will provide the requisite disclosure regarding executive remuneration policies in its annual report.	
<b>Recommendation 8.4:</b> Companies should provide the information indicated in the Guide to reporting on Principle 8	The Company will provide an explanation of any departures (if any) from the best practice recommendations in Principle 8 in its future annual reports.	Complies

The Board actively monitors the Company's governance framework, related practices and overall culture.

# Statement of Financial Position

As of 30 June 2011

	Notes	Consolidated 2011 \$
<b>Assets</b>		
<b>Current</b>		
Cash and cash equivalents	8	5,145,091
Other receivables	7	92,370
Total current assets		5,237,461
<b>Non-current</b>		
Exploration & Evaluation	12	1,146,623
Total non-current assets		1,146,623
<b>Total assets</b>		6,384,084
<b>Liabilities</b>		
<b>Current</b>		
Employee benefits	10	4,716
Trade and other payables	11	150,034
Total current liabilities		154,750
<b>Total liabilities</b>		154,750
<b>Net assets</b>		6,229,334
<b>Equity</b>		
Share capital	9	6,545,994
Retained earnings		(316,660)
<b>Total equity</b>		6,229,334

This statement should be read in conjunction with the notes to the financial statements.

# Statement of Comprehensive Income

for the period 24/1/11 to 30/6/11

	Notes	Consolidated 24/1/11 - 30/6/11 \$
Revenue	5	28,840
Employee benefits expense	10	(127,795)
Administrative Expenses		(217,705)
<b>Loss before tax</b>		<b>(316,660)</b>
Tax expense	13	-
<b>Loss after tax</b>		<b>(316,660)</b>
<b>Other comprehensive income, net of tax</b>		<b>-</b>
<b>Total comprehensive losses</b>		<b>(316,660)</b>
		<b>Cents</b>
<b>Earnings per share</b>	15	
<b>Basic earnings per share</b>		
Earnings from continuing operations		(1.33)
<b>Diluted earnings per share</b>		
Earnings from continuing operations		(1.33)

This statement should be read in conjunction with the notes to the financial statements.

For personal use only

## Statement of Changes in Equity

for the period 24/1/11 to 30/6/11

	Share Capital \$	Retained earnings \$	Total equity \$
Balance at 24 January 2011	-	-	-
<b>Other Comprehensive Income</b>			
Loss after income tax expense for the period	-	(316,660)	(316,660)
<b>Transactions with owners</b>			
Issue of share capital	6,967,200	-	6,967,200
Less capital raising costs	(421,206)	-	(421,206)
Total transactions with owners	<u>6,545,994</u>	<u>-</u>	<u>6,545,994</u>
Balance at 30 June 2011	<u>6,545,994</u>	<u>(316,660)</u>	<u>6,229,334</u>

This statement should be read in conjunction with the notes to the financial statements.

# Statement of Cash Flows

for the period 24/1/11 to 30/6/11

	Notes	Consolidated 24/1/11 to 30/6/11
<b>Operating activities</b>		
Interest received	-	28,840
Payments to suppliers and employees		(329,944)
Net cash from continuing operations	-	(301,104)
Net cash used in operating activities	16	(301,104)
<b>Investing activities</b>		
Payment for exploration & evaluation		(72,924)
Net cash used in investing activities		(72,924)
<b>Financing activities</b>		
Proceeds from issue of share capital		5,695,800
Capital raising costs		(176,681)
Net cash from (used in) financing activities		5,519,119
Net change in cash and cash equivalents		5,145,091
Cash and cash equivalents, beginning of year		-
Cash and cash equivalents, end of year	8	5,145,091

This statement should be read in conjunction with the notes to the financial statements.

# Notes to the consolidated financial statements

## **1 Nature of operations**

The activities of MRG Metals Ltd and its subsidiary, MRG Metals (Australia) Pty Ltd are exploration and development of gold, base metals and other commodities within Australia.

## **2 General information and statement of compliance**

The consolidated general purpose financial statements of the Group have been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. Compliance with Australian Accounting Standards results in full compliance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

MRG Metals Ltd is the Group's ultimate parent company. MRG Metals Ltd is a public company incorporated and domiciled in Australia.

The consolidated financial statements for the period ended 30 June 2011 were approved and authorised for issue by the board of directors on 28 September 2011 (see note 24).

## **3 Changes in accounting policies**

### **3.1 Overall considerations**

The Group has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ("AASB") that are mandatory for the current reporting period.

The adoption of these Accounting Standards and Interpretations did not have any impact on the financial performance or position of the Group.

### **3.2 New Accounting Standards and Interpretations not yet mandatory or early adopted**

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the reporting period ended 30 June 2011. The Group has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

## **4 Summary of accounting policies**

### **4.1 Overall considerations**

The significant accounting policies that have been used in the preparation of these consolidated financial statements are summarised below.

The consolidated financial statements have been prepared using the measurement bases specified by Australian Accounting Standards for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies below.

## **4.2 Presentation of financial statements**

AASB 101 requires two comparative periods to be presented for the statement of financial position in certain circumstances. As this is the first reporting period since incorporation on 24 January 2011, no comparatives are provided.

## **4.3 Basis of consolidation**

The Group financial statements consolidate those of the parent company and its subsidiary undertakings drawn up to 30 June 2011. Subsidiaries are all entities over which the Group has the power to control the financial and operating policies. The Group obtains and exercises control through more than half of the voting rights. All subsidiaries have a reporting date of 30 June.

All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.

## **4.4 Segment reporting**

Operating segments are presented using the 'management approach', where information is presented on the same basis as the internal reports provided to chief operating decision makers, being the Board of Directors. The Board of Directors are responsible for the allocation of resource to operating segments and assessing their performance.

## **4.5 Revenue**

Interest income is recognised when received.

## **4.6 Operating expenses**

Operating expenses are recognised in profit or loss upon utilisation of the service or at the date of their origin.

## **4.7 Exploration and evaluation**

Exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Accumulated costs in relation to an abandoned area are written off in full against profit or loss in the year in which the decision to abandon the area is made.

A regular review for impairment is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

## **4.8 Income taxes**

Tax expense recognised in profit or loss comprises the sum of deferred tax and current tax not recognised in other comprehensive income or directly in equity.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, the Australian Taxation Office (ATO) and other fiscal authorities relating to the current or prior reporting periods, that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill, or on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax on temporary differences associated with investments in subsidiaries and joint ventures is not provided if reversal of these temporary differences can be controlled by the Group and it is probable that reversal will not occur in the foreseeable future.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted by the end of the reporting period. Deferred tax liabilities are always provided for in full.

Deferred tax assets are recognised to the extent that it is probable that they will be able to be utilised against future taxable income.

Deferred tax assets and liabilities are offset only when the Group has a right and intention to set off current tax assets and liabilities from the same taxation authority.

Changes in deferred tax assets or liabilities are recognised as a component of tax income or expense in profit or loss, except where they relate to items that are recognised in other comprehensive income (such as the revaluation of land) or directly in equity, in which case the related deferred tax is also recognised in other comprehensive income or equity, respectively.

#### **4.9 Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

#### **4.10 Other Receivables**

Other receivables are recognised at amortised cost, less any impairment.

#### **4.11 Trade Payables**

These amounts represent liabilities for goods and services provided the Group prior to the end of the financial period and which are unpaid. Due to their short term nature they are measured at amortised cost and not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

#### **4.12 Earnings per share**

Basic earnings per share is calculated by dividing the profit attributable to the owners of MRG Metals Ltd, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial period, adjusted for bonus elements in ordinary shares issued during the financial period.



Diluted earnings per share adjust the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

#### **4.13 Equity**

Share capital represents the nominal value of shares that have been issued. Any transaction costs associated with the issuing of shares are deducted from share capital, net of any related income tax benefits.

Retained earnings include all current and prior period retained profits.

#### **4.14 Post employment benefits and short-term employee benefits**

The Group provides post employment benefits through various defined contribution plans.

A defined contribution plan is a superannuation plan under which the Group pays fixed contributions into an independent entity. The Group has no legal or constructive obligations to pay further contributions after its payment of the fixed contribution. The Group contributes to several plans and insurances for individual employees that are considered defined contribution plans. Contributions to the plans are recognised as an expense in the period that relevant employee services are received. Short-term employee benefits, including annual leave entitlement, are current liabilities included in 'employee benefits', measured at the undiscounted amount that the Group expects to pay as a result of the unused entitlement.

#### **4.15 Provisions, contingent liabilities and contingent assets**

Provisions are recognised when present obligations as a result of a past event will probably lead to an outflow of economic resources from the Group and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain. Provisions are not recognised for future operating losses.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Possible inflows of economic benefits to the Group that do not yet meet the recognition criteria of an asset are considered contingent assets.

#### **4.16 Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST components of investing and financing activities, which are disclosed as operating cash flows.

#### 4.17 Significant management judgement in applying accounting policies

The following are significant management judgements in applying the accounting policies of the Group that have the most significant effect on the financial statements.

##### Deferred tax assets

The assessment of the probability of future taxable income in which deferred tax assets can be utilised is based on the Group's latest approved budget forecast, which is adjusted for significant non-taxable income and expenses and specific limits to the use of any unused tax loss or credit. The tax rules in the numerous jurisdictions in which the Group operates are also carefully taken into consideration. If a positive forecast of taxable income indicates the probable use of a deferred tax asset, especially when it can be utilised without a time limit, that deferred tax asset is usually recognised in full. The recognition of deferred tax assets that are subject to certain legal or economic limits or uncertainties is assessed individually by management based on the specific facts and circumstances. Estimation uncertainty When preparing the financial statements management undertakes a number of judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses.

The actual results may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results.

Information about significant judgements, estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below.

##### Exploration and evaluation assets

At each reporting date, the directors review the carrying amount of each area of interest, with reference to the indicators of impairment outlined in AASB 6 Exploration for and Evaluation of Mineral Resources. No indicators of impairment were noted in the current period.

##### Tax Losses

The Group has not recognised a deferred tax asset with regard to unused tax losses and other temporary differences, as it has not been determined whether the Company will generate sufficient taxable income against which the unused tax losses and other temporary differences can be utilised in the foreseeable future.

##### Share based payments

The Group measures the cost of share based payments at fair value at the issue date.

## 5 Revenue

	Consolidated 24/1/11 - 30/6/11 \$
Interest received	28,840
	<u>28,840</u>

## 6 Segment reporting

The Group is organised into one operating segment, which is the exploration and development of gold, 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.

## 7 Other receivables

	Consolidated 2011 \$
GST receivables	49,704
Prepayments	42,666
Other receivables	<u>92,370</u>

The receivables noted above are not impaired nor past due.

## 8 Cash and cash equivalents

Cash and cash equivalents include the following components:

	Consolidated 2011 \$
Cash at bank and in hand:	
AUD	1,085,091
Short term deposits (AUD)	4,060,000
Cash and cash equivalents	<u>5,145,091</u>

The effective interest rate on short-term bank deposits is 6.1%; these deposits have an average maturity of 180 days but can be redeemed prior to maturity without penalty on interest earned.

## 9 Equity

### 9.1 Share capital

The share capital of MRG Metals Ltd consists only of fully paid ordinary shares, the shares do not have a par value. All shares are equally eligible to receive dividends and the repayment of capital and represent one vote at the shareholders' meeting of MRG Metals Ltd.

Movement in share capital

Date Issued	Details	Consolidated 24/1/11 - 30/6/11 Quantity	\$
	Shares issued and fully paid:		
24 Jan 2011	Issued to Directors at \$0.005	2,800,000	14,000
24 Jan 2011	Issued to Consultants at \$0.005	12,000,000	60,000
8 March 2011	Issued to Seed Capitalists at \$0.0625	50,000,000	3,125,000
11 March 2011	Issued to Promoters at \$0.0625 <sup>1</sup>	3,600,000	225,000
8 June 2011	Issued to Tenement Vendors at \$0.20	5,250,000	1,050,000
8 June 2011	Issued to Public on IPO at \$0.20	12,466,000	2,493,200
	Total issued shares at 30 June 2011	<u>86,116,000</u>	<u>6,967,200</u>
	Less costs of capital raising for above items <sup>2</sup>		<u>(421,206)</u>
	Total share capital at 30 June 2011		<u>6,545,994</u>

<sup>1</sup>These shares were awarded to promoters, whom assisted with the seed capital raising, at an issue price of \$0.001 per share (totalling \$3,600). These shares have been recognised at the fair value of the shares

as denoted by the issue price of the seed capital raising.

<sup>2</sup> Included in the costs of capital raising is \$221,400 of share based payments to promoters.

## 9.2 Dividends

No dividends were declared or paid during the year. There are no franking credits outstanding at period end.

## 10 Employee remuneration

### 10.1 Employee benefits expense

Expenses recognised for employee benefits are analysed below:

	Consolidated 24/1/11 - 30/6/11 \$
Salaries and fees	117,633
Superannuation	10,162
Employee benefits expense	<u>127,795</u>

### 10.2 Employee benefits

The liabilities recognised for employee benefits in the statement of financial position consist of the following amounts:

	Consolidated 2011 \$
Current:	
- Other short term employee obligations	<u>4,716</u>
	<u>4,716</u>

The current portion of these liabilities represents the Group's obligations to its current employees that are expected to be settled during 2012. Other short-term employee obligations arise from accrued annual leave entitlement at the reporting date.

## 11 Trade and other payables

Trade and other payables recognised in the statement of financial position can be analysed as follows:

	Consolidated 2011 \$
Current	
- Trade payables	96,782
- Other payables and accrued expenses	53,252
	<u>150,034</u>

## 12 Exploration and evaluation assets

	Consolidated 2011 \$
<b>Cost as at 24 Jan 2011</b>	
Additions:	
Xanadu – 4,000,000 shares @ \$0.20 and \$25,100	825,100
Mulgul - \$12,254	12,254
Braemore Battery - 1,000,000 shares @ \$0.20 and \$20,000	220,000
Diorite/Bellchambers - 250,000 shares @ \$0.20 and \$5,000	55,000
Other acquisition and exploration costs	34,269
<b>Cost as at 30 June 2011</b>	<u>1,146,623</u>

The shares issued as consideration for tenement purchases are equivalent to the fair value of those tenements at the issue price of the Initial Public Offering.

The recoverability of the carrying amount of the exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

## 13 Income tax expense

The relationship between the expected tax expense based on the tax rate of MRG Metals Ltd and the reported tax expense in profit or loss can be reconciled as follows, also showing major components of tax expenses:

	Consolidated 24/1/11 - 30/6/11 \$
Profit/(loss) before tax	(316,660)
Expected tax expense/(benefit) @ 30%	<u>(94,998)</u>
Adjustment for non-deductible expenses:	
- Movement in accruals	10,800
- Movement in provisions	1,415
- Incorporation expenses	457
- Exploration and evaluation expenses	(7,497)
	<u>(89,823)</u>
Current period tax loss not recognised	89,823
Current tax expense	-

Deferred tax expense:

- Temporary differences	5,175
- Unused tax losses	89,823

Deferred tax assets not recognised	<u>94,998</u>
------------------------------------	---------------

The above potential tax benefit has not be recognised as the recovery is uncertain.

The taxation benefit of tax losses and temporary differences not brought to account will only be obtained if:

- the Group derives future assessable income of a nature and an amount sufficient to enable the benefit from the deductions for the losses to be realised;
- the Group continues to comply with the conditions for deductibility imposed by law; and
- no change in tax legislation adversely affects the Group in realising the benefits from deducting the tax losses.

#### 14 Auditor remuneration

**Consolidated**  
**24/1/11 -**  
**30/6/11**  
**\$**

##### Audit services

Auditors of MRG Metals Ltd – Grant Thornton

- Audit of the financial report	<u>20,000</u>
---------------------------------	---------------

<b>Audit services remuneration</b>	<u>20,000</u>
------------------------------------	---------------

##### Other services

Auditors of MRG Metals Ltd – Grant Thornton

- Preparation of an Investigating Accountants Report	<u>9,800</u>
--	--------------

<b>Total other service remuneration</b>	<u>9,800</u>
---	--------------

<b>Total Auditor's remuneration</b>	<u>29,800</u>
-------------------------------------	---------------

#### 15 Earnings per share

The weighted average number of shares for the purposes 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:

	<b>Consolidated 2011</b>
Loss after income tax	(316,660)
Weighted average number of shares used in basic earnings per share	<u>23,807,858</u>
Weighted average number of shares used in diluted earnings per share	<u>23,807,858</u>

Earnings Per Share	(1.3) cents
--------------------	-------------

Diluted Earnings Per Share	(1.3) cents
----------------------------	-------------

As there were no options issued during the period, diluted earnings per share is the same as basis earnings per share.

## 16 Reconciliation of cash flows from operating activities

	Consolidated 24/1/11 - 30/6/11 \$
<b>Cash flows from operating activities</b>	
Profit/(loss) for the period	(316,660)
Change in other assets	(67,737)
Change in trade and other payables	78,577
Change in other employee obligations	4,716
Net cash from operating activities	<u>(301,104)</u>

### Non cash investing and financing activities

The Group purchased tenements via share based payments (refer to Note 12) and also awarded shares to promoters of seed capital (refer to Note 9.1).

## 17 Related party transactions

The Parent entity is MRG Metals Ltd.

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

MRG Metals (Australia) Pty Ltd owns the mining tenements and has no other Assets or Liabilities.

The Group's related parties include its key management and others as described below.

Unless otherwise stated, none of the transactions incorporate special terms and conditions and no guarantees were given or received.

### 17.1 Transactions with related parties

The following transactions occurred with related parties

#### Payment for goods and services:

During the year the Company entered into an agreement with Calatos Pty Ltd in relation to consulting fees for services relating to marketing, dealing with shareholders and capital raising. The fees payable are \$120,000 per annum. At the time of entering into the agreement, Mr Bruce McFarlane, a shareholder of Calatos Pty Ltd, held a controlling interest in MRG Metals Ltd.

Calatos Pty Ltd was the recipient of 250,000 shares at \$0.001 per share as a part of the allocation of shares to promoters whom assisted the Group with its seed capital raising as noted at Note 9.1. These shares had a fair value of \$15,626 and have been recognised as capital raising costs.

The Company also purchased the tenement at Mulgul from Calatos Pty Ltd for \$12,254.

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 \$68,000.

### Receivable from and payable to related parties

There were no trade receivable from or trade payables to related parties.

### Loans to/from related parties

There were no loans to or from related parties at the reporting date.

### Terms and conditions

All transactions are made on normal commercial terms and conditions and at market rates.

## 17.2 Transactions with key management personnel

Key management of the Group are the Board of Directors. Key management personnel remuneration is set out in the Remuneration Report in the Director's Report.

## 17.3 Equity instruments held by KMP

The number of shares in the Company during the 2011 reporting period by each of the key management personnel of the Group, including their related parties are set out below:

Year ended 30 June 2011

	Balance at start of year	Additions	Received on exercise	Other changes	Held at the end of the reporting period
Van Der Zwan	-	2,160,000	-	-	2,160,000
Pietrzak	-	2,130,000	-	-	2,130,000
Turner	-	1,470,000	-	-	1,470,000
Fammartino	-	1,860,000	-	(1,860,000)	-
	-	7,620,000	-	(1,860,000)	5,760,000

These shares were acquired in initial capital raising of Company, via issue to Seed Capitalists and via Initial Public Offering. Mr. Fammartino resigned on 14 February 2011.

## 18 Contingent assets and contingent liabilities

The Group has no contingent assets as 30 June 2011.

The Group has no contingent liabilities at 30 June 2011.

## 19 Commitments for expenditure

	2011 \$
Exploration and evaluation:	
Within 12 months	310,760
	<u>310,760</u>



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.

## **20 Financial instrument risk**

### **Risk management objectives and policies**

The Group is exposed to various risks in relation to financial instruments. The main types of risks are market risk (including interest rate risk), credit risk and liquidity risk.

The Group's risk management is carried out by the board of directors, and focuses on actively securing the Group's short to medium-term cash flows by minimising the exposure to financial markets.

The Group does not engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Group is exposed are described below.

#### **20.1 Foreign currency sensitivity**

To date, all of the Group's transactions have been carried out in Australian Dollars.

#### **20.2 Interest rate sensitivity**

The Group's only exposure to interest rate risk is in relation to deposits held. Deposits are held with reputable banking financial institutions.

At 30 June 2011, there was \$4,060,000 on deposit at 6.10% (refer Note 8)

An increase/decrease by 30% or 1.83 basis points would have a favourable/adverse affect on profit for the year of \$74,298. The percentage change is based on the expected volatility of interest rates using market data and analysts' forecasts.

#### **20.3 Credit risk analysis**

Credit risk is the risk that a counterparty fails to discharge an obligation to the Group. The Group is exposed to minimal credit risk as its only exposure is to interest receivable and GST refunds.

#### **20.4 Liquidity risk analysis**

Liquidity risk is that the Group might be unable to meet its obligations. The Group manages its liquidity needs by monitoring actual and forecast cash inflows and outflows due in day-to-day business.

The Group's working capital, being current assets less current liabilities, at 30 June 2011 was \$5,082,711. Based on this, the directors are satisfied the Group will have sufficient funds to pay its debts as and when they fall due.

As at 30 June 2011, the Group's non-derivative financial liabilities have contractual maturities (including interest payments where applicable) as summarised below:

	Current		Non current	
	Within 6 months	6 to 12 months	1 to 5 years	Later than 5 years
30 June 2011	\$	\$	\$	\$
Trade and other payables	150,034	-	-	-
Total	150,034	-	-	-

The above amounts reflect the contractual undiscounted cash flows, which may differ to the carrying values of the liabilities at the reporting date. Unless otherwise stated, the carrying amounts of financial instruments reflect their fair values due to their short term nature.

## 21 Capital risk management

The Group's objectives when managing capital is to ensure the Group's ability to continue as a going concern so that it can provide an adequate return to shareholders.

The Group would look to raise capital when an opportunity to invest in a business, company or tenement is seen as value adding.

## 22 Post-reporting date events

Since the end of the year the following significant events have occurred:

- On 4 July 2011, the Group completed the acquisition of tenements prospective for Gold at Kalgoorlie East, WA. This resulted in 1,000,000 shares being issued and payment of \$20,000;
- On 26 July 2011, the Group completed an option for the 30% acquisition of tenements prospective for Coal and Bauxite at Collie South, WA. This resulted in 1,000,000 shares being issued and payment of \$50,000; and
- On 12 August 2011, the Company issued a non renounceable Options Prospectus for 1 option for every 2 shares held, to issue up to 44,058,000 options and raise \$440,580 before costs. On 28 September 2011, the Company allotted 38,816,708 options, to raise \$388,167. These options are exercisable at \$0.25 within five years.
- There are no other events occurring since the end of the year that have, or may, significantly affect the Group's operations, results of those operations or the state of affairs of the Group.

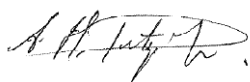
## 23 Parent entity information

Information relating to MRG Metals Ltd (‘the parent entity’)

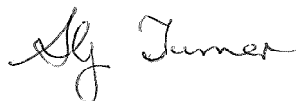
	2011 \$
<b>Statement of financial position</b>	
Current assets	5,237,461
Total assets	6,384,084
Current liabilities	154,750
Total liabilities	154,750
 Issued capital	 6,545,994
Retained earnings	<u>(316,660)</u>
	6,229,334
 <b>Statement of comprehensive income</b>	
Profit/(loss) for the period	<u>(316,660)</u>
Total comprehensive income	<u>(316,660)</u>

## 24 Authorisation of financial statements

The consolidated financial statements for the period ended 30 June 2011 were approved by the board of directors on 28 September 2011.



Albert Pietrzak  
Chairman



Shane Turner  
Director/Secretary)

## Directors' declaration

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

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

i. giving a true and fair view of its financial position as at 30 June 2011 and of its performance for the financial period ended on that date; and

ii. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and

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

2. The directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the chief executive officer and chief financial officer for the financial period ended 30 June 2011.

3. The consolidated financial statements comply with International Financial Reporting Standards.

Signed in accordance with a resolution of the directors:

Dated at Melbourne, the 28<sup>th</sup> day of September 2011



Albert Pietrzak

Director



Grant Thornton Audit Pty Ltd  
ACN 130 913 594

Level 2  
215 Spring Street  
Melbourne  
Victoria 3000  
GPO Box 4984  
Melbourne  
Victoria  
3001

T +61 3 8663 6000  
F +61 3 8663 6333  
E [info.vic@au.gt.com](mailto:info.vic@au.gt.com)  
W [www.grantthornton.com.au](http://www.grantthornton.com.au)

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

### **Report on the financial report**

We have audited the accompanying financial report of MRG Metals Limited (the "Company"), which comprises the consolidated statement of financial position as at 30 June 2011, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the period then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the Company and the entities it controlled at the period's end or from time to time during the financial period.

### **Directors responsibility for the financial report**

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view of the financial report in accordance with Australian Accounting Standards and the Corporations Act 2001. This responsibility includes such internal controls as the Directors determine are necessary to enable the preparation of the financial report to be free from material misstatement, whether due to fraud or error. The Directors also state, in the notes to the financial report, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

### **Auditor's responsibility**

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards which require us to comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

an opinion on the effectiveness of the Company's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.



An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### **Electronic presentation of audited financial report**

This auditor's report relates to the financial report of MRG Metals Limited and controlled entities for the period ended 30 June 2011 included on MRG Metals Limited's web site. The Company's Directors are responsible for the integrity of MRG Metals Limited's web site. We have not been engaged to report on the integrity of MRG Metals Limited's web site. The auditor's report refers only to the statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on this web site.

#### **Independence**

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

#### **Auditor's opinion**

In our opinion:

- a the financial report of MRG Metals Limited is in accordance with the Corporations Act 2001, including:
  - i giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the period ended on that date; and
  - ii complying with Australian Accounting Standards and the Corporations Regulations 2001; and



- b the financial report also complies with International Financial Reporting Standards as disclosed in the notes to the financial statements.

**Report on the remuneration report**

We have audited the remuneration report included in pages 8 to 10 of the directors' report for the period ended 30 June 2011. The Directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

**Auditor's opinion on the remuneration report**

In our opinion, the remuneration report of MRG Metals Limited for the period ended 30 June 2011, complies with section 300A of the Corporations Act 2001.

A stylized, handwritten signature of the firm Grant Thornton.

GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants

A handwritten signature of B. Taylor.

B. Taylor  
Director - Audit & Assurance

Melbourne, 28 September 2011.



## ASX Additional Information

Additional information required by the ASX Limited Listing Rules and not disclosed elsewhere in this report is set out below. The information is effective as at 21 September 2011.

### Substantial Shareholders

The number of substantial shareholders and their associates are set out below:

Shareholder	Number of Shares
Ottawa Resources P/L	12,530,000

### Voting Rights

Ordinary shares	On a show of hands, every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote
-----------------	--

Options	No voting rights
---------	------------------

Holding	Shares
1 – 1,000	2
1,001 – 5,000	33
5,001 – 10,000	140
10,001 – 100,000	177
1,000,000 and over	120
	<hr/> 472 <hr/>

There were 3 holders of less than a marketable parcel of ordinary shares.

Twenty largest quoted shareholders	Ordinary Shares	
	Number Held	% of issued shares
PW Askins & HM Ansell	900,000	3.09
UBS Wealth Management Australia Nominees P/L	870,000	2.99
Bigson P/L	800,000	2.75
G & C Hedt P/L	800,000	2.75
J Powell	800,000	2.75
Gulf Country Investments P/L	750,000	2.58
L Knight	600,000	2.06
Tigerland Investments P/L	520,000	1.79
Ottawa Resources P/L	520,000	1.79
Aznanob P/L	500,000	1.72
Life-Style Connections P/L	500,000	1.72
TRR Investments P/L	500,000	1.72
A & J Turner P/L	400,000	1.37
Notemarl P/L	400,000	1.37
S Popovic	400,000	1.37
Rylet P/L	400,000	1.37
33rd Infinity P/L	400,000	1.37
RL Staggard & DL Berry	312,500	1.07
HSBC Custody Nominees (Australia) Ltd	309,500	1.06
K Van Der Zwan	300,000	1.06
N Fammartino	300,000	1.06
RA Hewett	300,000	1.03
	<hr/> 11,582,000	<hr/> 39.81

### Restricted equity securities

The following securities are subject to escrow:

-	28,336,000	Escrowed until 18 March 2012
-	5,250,000	Escrowed until 27 May 2012
-	1,000,000	Escrowed until 11 August 2012
-	24,439,000	Escrowed until 8 June 2013
	<hr/> 59,025,000	

### Securities exchange

The Company is listed on the Australian Securities Exchange under the code MRQ.

### Tenements

The Tenements held by the Company at reporting date are as follows:

Project	Tenement	% Owned
Xanadu	P52/1366	100
	P52/1367	100
	P52/1368	100
	P52/1369	100
	P52/1372	100
	P52/1373	100
	P52/1374	100
	P52/1375	100
	P52/1376	100
	P52/1377	100
	P52/1378	100
	P52/1379	100
	P52/1380	100
	P52/1381	100
Bell Chambers	E57/778	100
Diorite	P37/7651	100
Diorite	P37/7652	100
Diorite	P37/7653	100
Mulgul	E52/2669	100
Braemore Battery	P37/7008	100
Braemore Battery	P37/7009	100
Braemore Battery	P37/7765	100
Braemore Battery	P37/7766	100
Braemore Battery	P37/7767	100
Braemore Battery	P37/7768	100
Braemore Battery	P37/7769	100
Braemore Battery	P37/7070	100
Braemore Battery	P37/7771	100