



20 May 2013

Dear MRG Shareholder

On behalf of the Directors of MRG Metals Ltd ('MRG') I am pleased to present to you a proposal to acquire all the shares in Sasak Resources Australia Pty Ltd ('Sasak'), as well as the use of proprietary 'in house' Technical Analysis and new Project Generation techniques developed by the Principals of Sasak.

As outlined in the announcement to the Australian Stock Exchange dated 15 March 2013, this transaction will benefit MRG by:

- Diversifying MRG into copper exploration (Iron-Oxide-Copper-Gold) in the Mount Isa belt in Queensland; as well as frontier gold exploration in the East Yilgarn of Western Australia, where Sasak holds 2,000 sq km of unexplored greenstone belt.
- Sasak Executives (ex Rio and BHP) will add extensive Minerals Industry experience to the MRG Board.
- The provision of technical services to MRG for 2 years, by applying Sasak's in-house proprietary data-mining technology, to optimise the exploration outcomes on MRG's tenements and undertaking technical assessment of new exploration opportunities for MRG.
- MRG will also have first right of refusal on new projects generated by Sasak Executives for 2 years.

The Board of MRG believe that this is a very attractive offer for Shareholders, which will bring considerable long term benefits for future growth from the exposure to a wider range of commodities and new exploration frontiers.

The Board of MRG unanimously recommend that you support the proposal described in the attached documents, which outline the transaction, its terms, conditions, benefits and risks. The Independent Expert's Report has advised that the transaction is both fair and reasonable to existing Shareholders of MRG.

If you have any questions about the proposal you should contact your legal, financial or other professional adviser.

On behalf of the Board of MRG Metals Ltd, I recommend the Proposal to you.

A handwritten signature in black ink, appearing to read 'Keith Weston'.

Keith Weston
Managing Director
MRG METALS LTD

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MRG Metals Limited ACN 148 938 532

**Notice of General Meeting
and
Explanatory Statement
and
Independent Expert's Report
and
Proxy Form**

General Meeting of MRG Metals Limited to be held at
RSM Bird Cameron, Level 8, Rialto South Tower, 525 Collins Street, Melbourne, Victoria 3000
on 26 June 2013 commencing at 11am.

This Notice of General Meeting, Explanatory Statement and Independent Expert's Report should be read in its entirety.

If Shareholders are in any doubt as to how to vote, they should seek advice from their own independent financial, taxation or legal adviser without delay.

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MRG Metals Limited ACN 148 938 532 (Company)

General information

This notice of meeting (**Notice**) relates to a general meeting (**Meeting**) of the Shareholders of the Company (**Shareholders**).

The Meeting will take place at RSM Bird Cameron, Level 8, Rialto South Tower, 525 Collins Street, Melbourne, Victoria on 26 June 2013 commencing at 11am.

The purpose of the Meeting is to:

1. inform Shareholders of the Company's intentions to acquire 100% of the issued shares in Sasak Resources Australia Pty Ltd (**Proposed Transaction**); and
2. obtain Shareholder approval for the various components of the Proposed Transaction as required under the ASX Listing Rules (**Listing Rules**) and the *Corporations Act 2001 (Cth)* (**Corporations Act**).

Each of the Directors considers that the Proposed Transaction will create significant value for the Shareholders and assist the Company in the next phase of its growth.

Shareholders should also note that the Independent Expert has found that for the purpose of section 611 (Item 7) of the Corporations Act, the Proposed Transaction is considered by the Independent Expert to be fair and reasonable for non-associated Shareholders. Further detail can be found in the Independent Expert's Report attached to this Notice.

The following documents accompany this Notice and are designed to assist Shareholders' understanding of the resolution under consideration (**Resolution**):

- **Explanatory Statement:** provides an explanation of the Resolution and the disclosures required by law and has been prepared with the assistance of the Company's legal adviser, K&L Gates;
- **Independent Expert's Report:** RSM Bird Cameron Corporate Pty Ltd was commissioned by the board of directors of the Company (**Board**) to provide an independent assessment of whether the Proposed Transaction is fair and reasonable to all Shareholders; and
- **Proxy form:** to be used by Shareholders to appoint a proxy to vote on their behalf at the Meeting.

The Resolution is important and affects the future of the Company. You are urged to give careful consideration to the Notice, the Resolution, the Explanatory Statement and the Independent Expert's Report. If you are in any doubt as to how to vote, you should seek advice from your own independent financial, taxation or legal advisors.

Key dates for Shareholders

| Event | Date* |
|--|--------------------------------|
| Dispatch of Notice to Shareholders | 27 May 2013 |
| Deadline for lodging proxy form for Meeting | 11:00am (AEST) on 24 June 2013 |
| Record date for eligibility to vote at Meeting | 7:00pm (AEST) on 24 June 2013 |
| Meeting to approve the Proposed Transaction and other matters, and a trading halt to be requested from the commencement of trading | 11:00am (AEST) on 26 June 2013 |
| Completion of the Proposed Transaction | 28 June 2013 |

* Shareholders should note the above timetable is indicative only and may be varied in consultation with ASX. Any changes to the above timetable will be released to the ASX.

MRG Metals Limited ACN 148 938 532 (Company)

General Meeting: Agenda

The business to be transacted at the Meeting is set out below:

Special Business

1. Approval of the Proposed Transaction

To consider and, if thought fit to pass the following Resolution as an ordinary resolution:

"That for the purpose of section 611 (item 7) of the Corporations Act 2011 (Cth) and all other purposes, approval is given to the issue of:

- » 12,249,900 Shares in the capital of the Company to EL Gaia Holdings Pty Ltd to acquire 27.222% of the issued shares in Sasak Resources Australia Pty Ltd;
- » 8,250,300 Shares in the capital of the Company to Julian Bavin Holdings Pty Ltd as trustee for the Julian Bavin Super Fund to acquire 18.334% of the shares in Sasak Resources Australia Pty Ltd;
- » 12,000,150 Shares in the capital of the Company to Jolanza Pty Ltd as trustee for the Jolanza Trust to acquire 26.667% of the issued shares in Sasak Resources Australia Pty Ltd;
- » 12,249,900 Shares in the capital of the Company to Lograr Investments Pty Ltd as trustee for the Bolte Investment Trust to acquire 27.222% of the shares in Sasak Resources Australia Pty Ltd; and
- » 249,750 Shares in the capital of the Company to Christopher Gregory and Maria Gregory as trustee for the CJ&M Gregory Superannuation Fund to acquire .555% of the issued shares in Sasak Resources Australia Pty Ltd,

otherwise on the terms described in the Explanatory Statement."

Voting exclusion statement on item 1:

The Company will disregard any votes cast on the resolution set out in item 1 by:

- » a person proposing to make the acquisition and their associates; or
- » the persons (if any) from whom the acquisition is to be made and their associates.

However, the Company need not disregard a vote if:

- » it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- » it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

By order of the board:

.....
Keith Weston
Managing Director
20 May 2013

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Notes

| | |
|--------------------------------------|--|
| Who may vote? | The Company's Directors have determined that all Shareholders holding Shares as at 7.00 pm AEST on 24 June 2013 will be entitled to vote at the Meeting in respect of those Shares. |
| Proxies: appointment | <p>A Shareholder of the Company who is entitled to attend and vote at the Meeting has a right to appoint a person as their proxy to attend and vote for the Shareholder at the Meeting.</p> <p>Where a Shareholder is entitled to cast 2 or more votes at the Meeting, the Shareholder may appoint 2 proxies.</p> <p>If a Shareholder appoints 2 proxies or attorneys to vote at the Meeting and the appointment does not specify the proportion or number of the Shareholder's votes, each proxy may exercise half of the votes.</p> <p>A proxy need not be a Shareholder of the Company.</p> |
| Proxies: lodgement | <p>To be valid, a proxy form must be received by the Company by no later than 11.00 am on 24 June 2013 (Proxy Deadline).</p> <p>Proxies may be submitted by:</p> <ul style="list-style-type: none">(a) post to: MRG Metals Ltd, PO Box 237, Ballarat, Victoria 3353; or(b) facsimile:(03) 5333 1667. <p>A written proxy appointment must be signed by the Shareholder or the Shareholder's attorney.</p> <p>Where the appointment is signed by the appointor's attorney, a certified copy of the authority, or the authority itself, must be lodged with the Company in one of the above ways by the Proxy Deadline. If facsimile transmission is used, the authority must be certified.</p> |
| Body corporate representative | <p>A Shareholder of the Company who is a body corporate and who is entitled to attend and vote at the Meeting, or a validly appointed proxy who is a body corporate and who is appointed by a Shareholder of the Company entitled to attend and vote at the Meeting, may appoint a person to act as its representative at the Meeting by providing that person with:</p> <ul style="list-style-type: none">(a) a letter or certificate, executed in accordance with the body corporate's constitution, authorising the person as the representative; or(b) a copy of the resolution, certified by the secretary or a director of the body corporate, appointing the representative. |

MRG Metals Limited ACN 148 938 532 (Company)

Explanatory Statement

1. Background

1.1 Introduction

This Explanatory Statement has been prepared for the information of Shareholders in relation to the business to be conducted at the Meeting.

The purpose of this Explanatory Statement is to provide Shareholders with all information known to the Company which is material to a decision on how to vote on the Resolution set out in the accompanying Notice. It explains the Resolution and identifies the Board's reasons for putting them to Shareholders.

1.2 Action to be taken by Shareholders

Shareholders should read this Explanatory Statement and the Independent Expert's Report carefully before deciding how to vote on the Resolution set out in the Notice.

All Shareholders are invited and encouraged to attend the Meeting. If Shareholders are unable to attend in person, the attached Proxy Form should be completed, signed and returned to the Company in accordance with the instructions contained in the Proxy Form and the Notice. Lodgement of a Proxy Form will not preclude a Shareholder from attending and voting at the Meeting in person.

1.3 Summary of Proposed Transaction

(a) Background

MRG's principal activity is the exploration, discovery, and potential mining of precious and base metal resources. As part of these activities, MRG has been exploring and examining possible acquisitions of new exploration and mining opportunities.

If the Proposed Transaction is approved, MRG's activities would diversify into the exploration of copper and gold in the Mount Isa region of Queensland and gold exploration in East Yilgarn, Western Australia.

(b) Proposed Transaction

On 15 March 2013, the Company announced that it had entered into an agreement regarding the acquisition of 100% of the issued shares in Sasak Resources Australia Pty Ltd (**Sasak**) in exchange for the issue of 45,000,000 Shares in MRG, subject to Shareholder approval.

The Shares issued to the Transaction Entities will be subject to the following escrow periods:

- 15 million shares subject to a voluntary escrow period of 12 months;
- 15 million shares subject to a voluntary escrow period of 24 months; and
- 15 million shares subject to a voluntary escrow period of 36 months.

Sasak holds various exploration licences and applications for exploration licences within Western Australia and Queensland. In particular, Sasak owns 100% of a number of granted exploration licences covering over 2,000 square kilometres of an unexplored portion of the Yilgarn Craton.

In addition, Sasak has also identified three areas with high potential for the occurrence of Iron Oxide Copper Gold deposits within the Mount Isa region of Queensland. Sasak holds a current licence over one of these areas and have submitted applications for exploration licences over the other two areas.

El Gaia Holdings Pty Ltd (**EGH**), Julian Bavin Holdings Pty Ltd (**JBH**), Jolanza Pty Ltd (**Jolanza**), Christopher Gregory and Maria Gregory (**Gregory**) and Lograr Investments Pty Ltd (**Lograr**) between them own all of the issued shares in Sasak.

(c) **Technical Services Agreement**

If the Proposed Transaction is approved, MRG and a newly incorporated company (**Sasak Minerals Pty Ltd**) owned by the principals of Sasak, propose to enter into a Technical Services Agreement (**TSA**), under which Sasak Minerals Pty Ltd will be a technical consultant to MRG to optimise the mineral exploration of MRG's and its subsidiaries' portfolio of tenements.

Under the TSA, Sasak Minerals Pty Ltd will use its Geographic Database Interrogation Analytic (**GDIA**) system to assess the tenements and mining applications of MRG and its subsidiaries in order to determine areas which contain prospective mineralisation. The technical consultancy services will be provided by the key person, Alfred Eggo.

Mr Eggo has over 30 years of experience within the mining industry including 16 years with Rio Tinto and 15 years as an independent consultant. Mr Eggo's core skills are within geochemistry, focusing on the management and integration of the GDIA system to support mineral exploration.

Sasak Minerals Pty Ltd will also assist MRG to obtain applicable State and Federal Government rebates and grants.

The term of the TSA will be 24 months with a monthly fee of \$12,500 payable to Sasak Minerals Pty Ltd plus any reasonable travelling expenses incurred by Mr Eggo. MRG will be entitled to terminate the TSA if Mr Eggo is unable to perform the technical consultancy services.

The TSA gives MRG access to an extensive mineral exploration database and skilled personnel that provides a methodology for better predicting the location of mineralisation. It is anticipated that these resources will reduce both the time and cost associated with identifying economic mineral deposits.

The entry of MRG and Sasak Minerals Pty Ltd into the TSA is subject to Shareholder approval of Resolution 1 and the subsequent completion of the Share Sale Agreement.

(d) **Project Generation Agreement**

The current principals of Sasak will continue to generate and commercialise exploration on a self-funded basis.

If the Proposed Transaction is approved, MRG and Sasak Minerals Pty Ltd will also enter the Project Generation Agreement (**PGA**). Under the PGA, MRG will obtain certain rights over any new projects identified and generated by Sasak Minerals Pty Ltd as a result of its exploration.

In particular, MRG will obtain a first and last right of refusal over tenements and mining applications obtained by Sasak Minerals Pty Ltd during the 24 month term of the PGA.

MRG will also have a first right of refusal in relation to tenements and mining applications owned by a third party in circumstances where Sasak Minerals Pty Ltd has obtained a binding interest in respect of those tenements and mining applications.

The objective of the PGA is to provide MRG with growth opportunities in order to expand its current portfolio of tenements with the assistance of the GDIA system.

The technical consultancy services provided under the TSA by Sasak Minerals Pty Ltd will extend to tenements and mining licences acquired by MRG under the PGA.

The acquisition of any tenements and mining applications under the PGA will be subject to Shareholder approval.

The PGA will provide MRG with new exploration opportunities that will allow the Company to grow and enhance future shareholder value.

The entry of MRG and Sasak Minerals Pty Ltd into the PGA is also subject to Shareholder approval of Resolution 1 and the subsequent completion of the Share Sale Agreement.

(e) **Mining Tenements**

(i) **Western Australian mining tenements**

Sasak holds 100% of 14 granted explorations licences within the East Yilgarn Greenstone belt of the Yilgarn Craton, which cover an area of over 2,000 square kilometres.

To date, the wider Yilgarn Craton has produced more than 260 million ounces of gold from greenstone host rocks.

Sasak currently has two applications for exploration licences in two additional areas, the Yeo Lake Greenstone belt and at Loongana. Yeo Lake covers another greenstone belt to the south east of the East Yilgarn region and is similarly prospective for greenstone hosted gold. At Loongana the modelling conducted by Sasak indicates that this application covers rocks within a suitable geological environment for substantial platinum, nickel and copper deposits.

(ii) **Queensland mining tenements**

Sasak currently has one granted licence and two applications for exploration licences in the Mt Isa region. The granted licence is known as Davenport Downs, the applications are Squirrel Hill and Pulchera. Sasak's geophysical analysis has identified these three areas as having high potential for the occurrence of Iron Oxide Copper Gold deposits, with similar characteristics to known deposits that are presently being mined or developed in the region.

(iii) Expenditure of tenements

| Tenement ID | Status | Area (blocks) | Start Date | Expiry date | Annual Expenditure Commitment |
|-------------|-------------|---------------|------------|-------------|-------------------------------|
| E38/2541 | Granted | 3 | 22-Jul-11 | 21-Jul-16 | \$15,000.00 |
| E38/2543 | Granted | 2 | 21-Jul-11 | 20-Jul-16 | \$15,000.00 |
| E38/2544 | Granted | 5 | 21-Jul-11 | 20-Jul-16 | \$15,000.00 |
| E38/2547 | Granted | 49 | 21-Jul-11 | 20-Jul-16 | \$49,000.00 |
| E38/2548 | Granted | 101 | 11-Aug-11 | 10-Aug-16 | \$101,000.00 |
| E38/2549 | Granted | 4 | 20-Jul-11 | 19-Jul-16 | \$15,000.00 |
| E38/2550 | Granted | 6 | 21-Jul-11 | 20-Jul-16 | \$20,000.00 |
| E38/2551 | Granted | 193 | 21-Jul-11 | 20-Jul-16 | \$193,000.00 |
| E38/2553 | Granted | 55 | 21-Jul-11 | 20-Jul-16 | \$55,000.00 |
| E38/2555 | Granted | 5 | 21-Jul-11 | 20-Jul-16 | \$15,000.00 |
| E38/2556 | Granted | 32 | 21-Jul-11 | 20-Jul-16 | \$32,000.00 |
| E38/2557 | Granted | 154 | 7-Mar-12 | 6-Mar-17 | \$154,000.00 |
| E38/2561 | Granted | 10 | 11-Aug-11 | 10-Aug-16 | \$20,000.00 |
| E38/2773 | Granted | 54 | 4-Apr-13 | 3-Apr-18 | \$54,000.00 |
| E39/1616 | Granted | 6 | 5-Jul-11 | 4-Jul-16 | \$20,000.00 |
| EPM19306 | Granted | 12 | 9-Apr-13 | 8-Apr-18 | \$40,000.00 |
| | | | | | |
| E38/2554 | Application | 58 | | | N/A |
| E69/3104 | Application | 70 | | | N/A |
| EPM19470 | Application | 2 | | | N/A |
| EPM19471 | Application | 41 | | | N/A |

(f) Compliance with Chapters 1 and 2 of the Listing Rules

In response to a formal submission made by the Company to ASX Ltd (**ASX**), the ASX has advised that, based on the information provided by the Company, it will not exercise its discretion under Listing Rules 11.1.2 and 11.1.3 to require shareholder approval or apply Chapters 1 and 2 of the Listing Rules in relation to the Proposed Transaction.

(g) **Impact of Proposed Transaction and consolidation on the Company's capital structure**

The effect on the capital structure of the Company of the Proposed Transaction and the issue of Shares contemplated by the Resolution can be summarised as follows:

| Securities | Shares | Options |
|---|--------------------|-------------------|
| Currently on issue and quoted on ASX | 63,727,000 | 44,007,993 |
| Currently on issue and not quoted on ASX | 24,439,000 | |
| Proposed Transaction | | |
| To be issued to EGH | 12,249,900 | |
| To be issued to JBH | 8,250,300 | |
| To be issued to Jolanza | 12,000,150 | |
| To be issued to Gregory | 249,750 | |
| To be issued to Lograr | 12,249,900 | |
| Total | 133,166,000 | 44,007,993 |

Accordingly, the ownership structure of MRG following the Proposed Transaction (excluding options) will be set out as follows:

| Shareholder | Ownership |
|----------------------|------------------|
| Initial Shareholders | 66.208% |
| Transaction Entities | 33.792% |
| Total | 100% |

2. Special business

2.1 Approval of the Proposed Transaction

The Company is seeking approval of the Proposed Transaction for the purposes of section 611 (item 7) of the Corporations Act.

Section 606 of the Corporations Act prohibits the acquisition by a person of voting shares in a company where, because of the acquisition, that person's (or someone else's) voting power in the company:

- » increases from 20% or below to more than 20%; or
- » increases from a starting point that is above 20% and below 90%,

unless a specific exemption applies.

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If the Proposed Transaction proceeds:

- » EL Gaia Holdings Pty Ltd will hold an aggregated voting power of 9.199% in the Company;
- » Julian Bavin Holdings Pty Ltd will hold an aggregated voting power of 6.195% in the Company;
- » Jolanza Pty Ltd will hold an aggregated voting power of 9.011% in the Company;
- » Lograr Investments Pty Ltd will hold an aggregated voting power of 9.199% in the Company; and
- » Christopher Gregory and Maria Gregory will hold an aggregated voting power of .188% in the Company.

In preparing this Notice, the Company has taken the conservative approach of assuming that the Transaction Entities will be regarded as "associates" for the purposes of section 606 of the Corporations Act on the basis that, by undertaking the Proposed Transaction, those entities are acting in concert in relation to the affairs of the Company.

On the assumption that the Transaction Entities are deemed to be "associates" under the Corporations Act, the aggregate voting power of all of the Transaction Entities will be combined in order to determine their increase in voting power under section 606 of the Corporations Act.

Section 611 (item 7) of the Corporations Act provides an exception to the general prohibition under section 606 where the acquisition is approved by a resolution of shareholders.

In accordance with Listing Rule 7.2, approval of the Proposed Transaction is not required under Listing Rule 7.1 in circumstances where the issue of shares has been approved by a resolution of shareholders under section 606 of the Corporations Act.

It is a further requirement of section 611 (item 7) that the following disclosures are made regarding the Proposed Transaction:

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| Corporations Act requirement | Proposed Transaction |
|--|---|
| Identity of purchasers | <ul style="list-style-type: none"> • EL Gaia Holdings Pty Ltd; • Julian Bavin Holdings Pty Ltd; • Jolanza Pty Ltd; • Lograr Investments Pty Ltd; and • Christopher Gregory and Maria Gregory. |
| Full particulars of Shares to be issued to purchasers | <p>45,000,000 Shares will be issued to the Transactions Entities to acquire that company's 100% interest in Sasak, in the following proportions:</p> <ul style="list-style-type: none"> • EL Gaia Holdings Pty Ltd 12,249,900; • Julian Bavin Holdings Pty Ltd 8,250,300; • Jolanza Pty Ltd 12,000,150; • Lograr Investments Pty Ltd 12,249,900; and • Christopher Gregory and Maria Gregory 249,750. |
| Identify associations and qualifications of person who are intended to become a Director of the Company | <p>Christopher Gregory Mr Gregory has over 30 years experience within the global minerals sector, including 22 years with Rio Tinto in a number of technical and executive roles. Mr Gregory currently oversees the Exploration and Corporate Development functions in Australasia for the Mandalay Resources Corporation.</p> <p>Adrian Manger Mr Manger has over 20 years of global minerals industry experience, including 19 years in senior finance and executive roles at BHP Billiton.</p> |
| Statement of intentions regarding the future of the Company | <p>If the Proposed Transaction proceeds:</p> <ul style="list-style-type: none"> • The Company intends to undertake exploration activity in East Yilgarn, Western Australia and the Mount Isa region of Queensland simultaneously with its current mining explorative business. • Arrangements with existing employees of the Company will remain unchanged. • No property will be transferred between Transaction Entities and the Company other than the assets and the business of Sasak. • There is no current existing intention to redeploy the assets of the Company. |
| Terms of the Transaction | Refer to section 1.3(b) of this Explanatory Statement. |
| Date for completion of the Transaction | The Completion Date under the Share Sale Agreement. |
| Reasons for the Transaction | Refer to section 1.3(b) of this Explanatory Statement. |
| Interests of Directors | Nil. |
| Intention to change dividend or other financial policies | There is no intention to change the dividend or other financial policies of the Company at this time. |

3. Independent Expert's Report

Resolution 1 if passed would permit an acquisition of Shares in accordance with Section 611 (item 7) of the Corporations Act.

If passed, the Company will be able to issue the Shares to the Transaction Entities thereby increasing their aggregate voting power in the Company, without contravening section 606 of the Corporations Act.

ASIC policy encourages a company to provide to shareholders who are being asked to consider a proposal to pass a resolution under section 611 (item 7) of the Corporations Act an analysis of whether the proposal is fair and reasonable when considered from the perspective of the shareholders of the company.

The Directors have commissioned the Independent Expert to prepare the Expert's Report to analyse the Proposed Transaction.

The purpose of the Expert's Report is to analyse whether the Transaction is fair and reasonable to non-associated Shareholders.

The Expert's Report, prepared by the Independent Expert is attached in full to this Explanatory Memorandum. Shareholders should read the full text of the Expert's Report to assist them in determining how they wish to vote in respect of Resolution 1.

In summary, the Expert's Report concludes that the Proposed Transaction is fair and reasonable to non associated Shareholders.

4. Other information

4.1 Scope of disclosure

The Company is required to provide to Shareholders all information which is known to the Company that is reasonably required by Shareholders in order to decide whether or not it is in the Company's interests to pass the Resolution.

The Company is not aware of any relevant information that is material to the decision on how to vote on the Resolution other than as is disclosed in this Explanatory Statement or previously disclosed to Shareholders by notification to the ASX.

4.2 Voting intentions and interests of directors

The number of Shares in which each Director has an interest as at the date of this Notice is set out in the table below:

| Director | No. of Shares |
|-----------------------|---------------|
| Albert Henry Pietrzak | 2,180,000 |
| Keith Weston | Nil |
| Andrew Van Der Zwan | 2,280,000 |
| Shane Turner | 1,511,600 |

4.3 Recommendation by Directors

The Directors unanimously recommend that, in the context of the Company's current circumstances, the Shareholders should vote to approve the Resolution to be put to the Meeting.

However, Shareholders must decide how to vote based on the matters set out in the Explanatory Statement.

4.4 Taxation

The Proposed Transaction may give rise to income tax implications for the Company.

Shareholders are advised to seek their own taxation advice on the effect of the Resolution on their personal position. Neither the Company, nor any of the Directors or any adviser to the Company accepts any responsibility for any individual Shareholder's taxation consequences on any aspect of the Proposed Transaction.

4.5 Glossary

Capitalised terms used in this Notice and the Explanatory Statement have the following meaning:

AEST means Australian Eastern Standard Time;

Completion Date means the date on which completion of the Share Sale Agreement occurs.

Corporations Act means the *Corporations Act 2001 (Cth)*;

Director(s) means the directors of the Company;

EGH means EL Gaia Holdings Pty Ltd;

Explanatory Statement means the explanatory statement that accompanies this Notice;

Independent Expert means RSM Bird Cameron Corporate Pty Ltd;

Independent Expert's Report means the independent expert report prepared by the Independent Expert accompanying this Notice.

Gregory means Christopher Gregory and Maria Gregory;

JBH means Julian Bavin Holdings Pty Ltd;

Jolanza means Jolanza Pty Ltd;

Listing Rules means the Listing Rules of ASX Limited;

Lograr means Lograr Investments Pty Ltd;

Meeting means the meeting of the Company to be held at RSM Bird Cameron, Level 8, Rialto South Tower, 525 Collins Street, Melbourne, Victoria on 26 June 2013 at 11.00am;

MRG or the **Company** means MRG Metals Limited;

Notice means the notice convening the Meeting;

Share Sale Agreement means the share sale agreement between the Company and the Transaction Entities in respect of the acquisition by MRG of all of the share capital of Sasak Resources Australia Pty Ltd;

Resolution means a resolution to be voted on at the Meeting, details of which are set out in the Notice;

Share means a fully paid ordinary share in the capital of the Company;

Shareholder means a holder of Shares; and

Transaction Entities means EGH, JBH, Jolanza, Lograr and Gregory.

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MRG Metals Limited
ACN 148 938 532

LODGE YOUR VOTE

By mail:
MRG Metals Limited
PO Box 237,
Ballarat VIC 3353

By fax: +61 3 5333 1667

All enquiries to: Telephone: +61 3 5330 5800

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SHAREHOLDER PROXY FORM

I/We being a member(s) of MRG Metals Limited and entitled to attend and vote hereby appoint:

STEP 1

APPOINT A PROXY

the Chairman of the Meeting (mark box) OR if you are NOT appointing the Chairman of the Meeting as your proxy, please write the name of the person or body corporate (excluding the registered shareholder) you are appointing as your proxy

or failing the person/body corporate named, or if no person/body corporate is named, the Chairman of the Meeting, as my/our proxy and to vote for me/us on my/our behalf at the General Meeting of the Company to be held at 11:00am (AEST) on Wednesday 26 June 2013, at Level 8, 525 Collins Street, South Tower Rialto, Melbourne Victoria and at any adjournment or postponement of the meeting.
The Chairman of the Meeting intends to vote undirected proxies in favour of all items of business.

Proxies will only be valid and accepted by the Company if they are signed and received no later than 48 hours before the meeting. Please read the voting instructions overleaf before marking any boxes with an

STEP 2

VOTING DIRECTIONS

| | For | Against | Abstain* |
|---|--------------------------|--------------------------|--------------------------|
| Resolution 1 Approval of the Proposed Transaction | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

* If you mark the Abstain box for a particular Item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

STEP 3

SIGNATURE OF SHAREHOLDERS - THIS MUST BE COMPLETED

| | | |
|--|--|--|
| Shareholder 1 (Individual) <input type="text"/> | Joint Shareholder 2 (Individual) <input type="text"/> | Joint Shareholder 3 (Individual) <input type="text"/> |
| Sole Director and Sole Company Secretary | Director/Company Secretary (Delete one) | Director |

This form should be signed by the shareholder. If a joint holding, either shareholder may sign. If signed by the shareholder's attorney, the power of attorney must have been previously noted by the registry or a certified copy attached to this form. If executed by a company, the form must be executed in accordance with the company's constitution and the Corporations Act 2001 (Cth).

MRQ PRX301



HOW TO COMPLETE THIS PROXY FORM

Your Name and Address

This is your name and address as it appears on the company's share register. If this information is incorrect, please make the correction on the form. Shareholders sponsored by a broker should advise their broker of any changes. **Please note: you cannot change ownership of your shares using this form.**

Appointment of a Proxy

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box in Step 1. If the person you wish to appoint as your proxy is someone other than the Chairman of the Meeting please write the name of that person in Step 1. If you leave this section blank, or your named proxy does not attend the meeting, the Chairman of the Meeting will be your proxy. A proxy need not be a shareholder of the company. A proxy may be an individual or a body corporate.

Votes on Items of Business - Proxy Appointment

You may direct your proxy how to vote by placing a mark in one of the boxes opposite each item of business. All your shares will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the items of business, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

Appointment of a Second Proxy

You are entitled to appoint up to two persons as proxies to attend the meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the company's share registry or you may copy this form and return them both together.

To appoint a second proxy you must:

- (a) on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of shares applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded.
- (b) return both forms together.

Signing Instructions

You must sign this form as follows in the spaces provided:

Individual: where the holding is in one name, the holder must sign.

Joint Holding: where the holding is in more than one name, either shareholder may sign.

Power of Attorney: to sign under Power of Attorney, you must lodge the Power of Attorney with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the *Corporations Act 2001*) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

Corporate Representatives

If a representative of the corporation is to attend the meeting the appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission in accordance with the Notice of Meeting. A form of the certificate may be obtained from the company's share registry.

Lodgement of a Proxy Form

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given below by **11:00am (AEST) on Monday 24 June 2013**, being not later than 48 hours before the commencement of the meeting. Any Proxy Form received after that time will not be valid for the scheduled meeting.

Proxy Forms may be lodged using the reply paid envelope or:



by mail:

MRG Metals Limited
PO Box 237, Ballarat VIC 3353



by fax:

+61 3 5333 1667



by hand:

delivering it to MRG Metals Limited, Level 1, 1-3 Bath Lane, Ballarat, VIC 3353.

If you would like to attend and vote at the General Meeting, please bring this form with you.
This will assist in registering your attendance.



RSM Bird Cameron Corporate Pty Ltd

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MRG Metals Limited

**Financial Services Guide and
Independent Expert's Report**

9 May 2013

We have concluded that the Proposed Transaction is FAIR AND REASONABLE to shareholders not associated with the Proposed Transaction

Financial Services Guide

RSM Bird Cameron Corporate Pty Ltd ABN 82 050 508 024 (“RSM Bird Cameron Corporate Pty Ltd” or “we” or “us” or “ours” as appropriate) has been engaged to issue general financial product advice in the form of a report to be provided to you.

In the above circumstances we are required to issue to you, as a retail client, a Financial Services Guide (“FSG”). This FSG is designed to help retail clients make a decision as to their use of the general financial product advice and to ensure that we comply with our obligations as financial services licensees.

This FSG includes information about:

- who we are and how we can be contacted;
- the services we are authorised to provide under our Australian Financial Services Licence, Licence No 255847;
- remuneration that we and/or our staff and any associates receive in connection with the general financial product advice;
- any relevant associations or relationships we have; and
- our complaints handling procedures and how you may access them.

Financial services we are licensed to provide

We hold an Australian Financial Services Licence, which authorises us to provide financial product advice in relation to:

- deposit and payment products limited to:
 - (a) basic deposit products;
 - (b) deposit products other than basic deposit products.
- interests in managed investments schemes (excluding investor directed portfolio services); and
- securities (such as shares and debentures).

We provide financial product advice by virtue of an engagement to issue a report in connection with a financial product of another person. Our report will include a description of the circumstances of our engagement and identify the person who has engaged us. You will not have engaged us directly but will be provided with a copy of the report as a retail client because of your connection to the matters in respect of which we have been engaged to report.

Any report we provide is provided on our own behalf as a financial services licensee authorised to provide the financial product advice contained in the report.

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General Financial Product Advice

In our report we provide general financial product advice, not personal financial product advice, because it has been prepared without taking into account your personal objectives, financial situation or needs.

You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice. Where the advice relates to the acquisition or possible acquisition of a financial product, you should also obtain a product disclosure statement relating to the product and consider that statement before making any decision about whether to acquire the product.

Benefits that we may receive

We charge fees for providing reports. These fees will be agreed with, and paid by, the person who engages us to provide the report. Fees will be agreed on either a fixed fee or time cost basis.

Except for the fees referred to above, neither RSM Bird Cameron Corporate Pty Ltd, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of the report.

Remuneration or other benefits received by our employees

All our employees receive a salary.

Referrals

We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

Associations and relationships

RSM Bird Cameron Corporate Pty Ltd is beneficially owned by the partners of RSM Bird Cameron, a large national firm of chartered accountants and business advisers. Our directors are partners of RSM Bird Cameron Partners.

From time to time, RSM Bird Cameron Corporate Pty Ltd, RSM Bird Cameron Partners, RSM Bird Cameron and / or RSM Bird Cameron related entities may provide professional services, including audit, tax and financial advisory services, to financial product issuers in the ordinary course of its business.

Complaints Resolution

Internal complaints resolution process

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints must be in writing, addressed to The Complaints Officer, RSM Bird Cameron Corporate Pty Ltd, P O Box R1253, Perth, WA, 6844.

When we receive a written complaint we will record the complaint, acknowledge receipt of the complaint within 15 days and investigate the issues raised. As soon as practical, and not more than 45 days after receiving the written complaint, we will advise the complainant in writing of our determination.

Referral to External Dispute Resolution Scheme

A complainant not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Financial Ombudsman Service ("FOS"). FOS is an independent company that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial services industry.

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Further details about FOS are available at the FOS website or by contacting them directly via the details set out below.

Financial Ombudsman Service
GPO Box 3
Melbourne VIC 3001
Toll Free: 1300 78 08 08
Facsimile: (03) 9613 6399
Email: info@fos.org.au

Contact Details

You may contact us using the details set out at the top of our letterhead on page 1 of this FSG.

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Independent Expert's Report

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RSM Bird Cameron Corporate Pty Ltd

AFS Licence No 255847

Direct Line: (03) 9286 1867
Email: glyn.yates@rsmi.com.au

9 May 2013

The Directors
MRG Metals Limited
Level 1, 1-3 Bath Lane
Ballarat VIC 3350

Dear Sirs

Independent Expert's Report

1. Introduction

- 1.1. This Independent Expert's Report (the "Report" or "IER") has been prepared to accompany the Notice of Meeting and Explanatory Statement for Shareholders for the General Meeting of MRG Metals Limited ("MRG" or "the Company") to be held in June 2013 at which shareholder approval will be sought for Resolution 1 ("the Proposed Transaction"), as set out below:

Resolution 1: Approval of the Proposed Transaction

To consider, and if thought fit, to pass the following resolution as an ordinary resolution:

"That for the purpose of section 611 (Item 7) of the Corporations Act 2011 (Cth) and all other purposes, approval is given to the issue of:

12,249,900 Shares in the capital of the Company to EL Gaia Holdings Pty Ltd to acquire 27.222% of the issued shares in Sasak Resources Australia Pty Ltd;

8,250,300 Shares in the capital of the Company to Julian Bavin Holdings Pty Ltd as trustee for the Julian Bavin Super Fund to acquire 18.334% of the issued shares in Sasak Resources Australia Pty Ltd;

12,000,150 Shares in the capital of the Company to Jolanza Pty Ltd as trustee for the Jolanza Trust to acquire 26.667% of the issued shares in Sasak Resources Australia Pty Ltd;

12,249,900 Shares in the capital of the Company to Lograr Investments Pty Ltd as trustee for the Bolte Investment Trust to acquire 27.222% of the issued shares in Sasak Resources Australia Pty Ltd;

249,750 Shares in the capital of the Company to Christopher Gregory and Maria Gregory as trustee for the CJ&M Gregory Superannuation Fund to acquire 0.555% of the issued shares in Sasak Resources Australia Pty Ltd,

Otherwise on the terms described in the Explanatory Statement"

- 1.2. El Gaia Holdings Pty Ltd, Julian Bavin Holdings Pty Ltd, Jolanza Pty Ltd, Christopher Gregory and Maria Gregory, and Lograr Investments Pty Ltd (collectively referred to as "the Vendors"), own all of the issued shares in Sasak Resources Australia Pty Ltd.

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- 1.3. Neither the Vendors nor their associates currently hold any shares or options in MRG.
- 1.4. On the assumption that the Vendors are deemed to be associates under the Corporations Act, the aggregate voting power of all the Vendors will be combined in order to determine their increase in voting power under section 606.
- 1.5. The issue of 45 million shares proposed in Resolution 1 will result in the Vendors collectively owning greater than 20% of the issued share capital of MRG, under which Section 611, Item 7 of the Corporations Act, requires the approval of shareholders in a general meeting.
- 1.6. On 15 March 2013, the Company announced the proposed acquisition of Sasak Resources Australia Pty Ltd (“Sasak”) (“the Proposed Acquisition”). The Proposed Acquisition comprises 3 components:
- Share Sale Agreement (“SSA”) – the purchase of all of the shares on issue in Sasak through the issue of 45,000,000 MRG fully paid ordinary shares;
 - Technical Services Agreement (“TSA”) – MRG and Sasak Technical Services Pty Ltd (“Sasak TS”) will enter into a TSA under which Sasak TS will be a technical consultant to MRG on its exploration portfolio, and will review new corporate growth opportunities that are presented to MRG, for an initial period of 24 months. The TSA is conditional on completion of the SSA; and
 - Project Generation Agreement (“PGA”) – Sasak Minerals Pty Ltd (“Sasak Minerals”) and MRG will enter into a PGA under which Sasak Minerals must offer MRG a first and last right of refusal over any new opportunities generated by Sasak Minerals under the PGA. The PGA is conditional on completion of the SSA.
- 1.7. Subject to shareholder approval, MRG entered into an agreement to issue 45 million ordinary shares to the Vendors (“the Consideration”), in return for the transfer of all the issued shares in Sasak. 15 million shares are subject to a voluntary escrow period of 12 months, 15 million shares are subject to a voluntary escrow period of 24 months, and 15 million shares are subject to a voluntary escrow period of 36 months.
- 1.8. Sasak is a privately owned Australian company that was founded in 2010. Sasak has developed in-house data mining technology, maintains a large Geographic Information System (“GIS”) database, and is principally engaged in the application of data mining techniques including predictive analytics to identify and commercialise high potential or high value mineral exploration targets.
- 1.9. Sasak also holds a portfolio of 14 Exploration Licences (“ELs”) and 6 Exploration Licence Applications (“ELAs”) (collectively, the “Sasak Exploration Projects”). The only material assets of Sasak included in the SSA are the Sasak Exploration Projects for which the Consideration is payable by MRG. Further details on the Sasak Exploration Projects are set out in section 6 of this Report.
- 1.10. The Directors of MRG have requested that RSM Bird Cameron Corporate Pty Ltd (“RSM”), being independent and qualified for the purpose, express an opinion as to whether Resolution 1 (“the Proposed Transaction”) is fair and reasonable to shareholders not associated with the Vendors (“the Shareholders”).
- 1.11. The ultimate decision whether to approve the Proposed Transaction should be based on each Shareholder’s assessment of their circumstances, including their risk profile, liquidity preference, tax position and expectations as to value and future market conditions. If in doubt about the Proposed Transaction, or matters dealt with in this Report, the Shareholders should seek independent professional advice.

2. Summary and Conclusion

2.1. In our opinion, and for the reasons set out in sections 10 and 11 of this Report, the Proposed Transaction is **Fair and Reasonable** for the Shareholders of MRG.

Fairness

2.2. In order to assess the fairness of the Proposed Transaction, we have valued a share in MRG prior to and immediately after the Proposed Transaction to determine whether a Shareholder would be better or worse off should the Proposed Transaction be approved. Our assessed values are summarised in the table below.

| | Low \$ | High \$ | Preferred \$ |
|---|-----------|------------|-----------------|
| Value per MRG share prior to the Proposed Transaction | 0.101 | 0.115 | 0.107 |
| Value per MRG share after the Proposed Transaction | 0.101 | 0.121 | 0.111 |

Source: RSM analysis

Table 1: Valuation Summary

2.3. As the preferred value of a MRG share immediately after the Proposed Transaction is greater than the value of a MRG share prior to the Proposed Transaction, and in the absence of any other relevant information, we consider the Proposed Transaction to be fair to the Shareholders.

Reasonableness

2.4. Regulatory Guide 111 Content of Expert Reports (“RG 111”) establishes that an offer is reasonable if it is fair. It might also be reasonable if, despite not being fair, there are sufficient reasons for the security holders to accept the offer in the absence of any higher bid before the offer closes. In assessing the reasonableness of the Proposed Transaction, we have considered the following factors in our assessment:

- the future prospects of the Company if the Proposed Transaction does not proceed; and
- any other commercial advantages and disadvantages to the Shareholders as a consequence of the Proposed Transaction proceeding.

2.5. In our opinion, in the absence of a superior offer, the position of the Shareholders if Resolution 1 is approved is more advantageous than if it is not. The primary reasons for this assessment are set out below:

- the Proposed Transaction is fair;
- the Company will acquire the Sasak Exploration Projects, further adding to MRG’s current exploration asset portfolio;
- MRG may benefit from the technical expertise provided under the TSA in the assessment of specific corporate growth opportunities;

- MRG may benefit from the first and last right of refusal over any new opportunities generated by Sasak Minerals under the PGA; and
 - in the event that the Proposed Transaction is approved, Sasak's Executive Director and Managing Director will be offered appointments as Non-Executive Directors, and will be able to offer additional minerals industry experience to the MRG Board of Directors.
- 2.6. The key disadvantages of the Proposed Transaction are as follows:
- the dilution of Shareholders' interests from 100.0% to 66.2% following the approval of the Proposed Transaction set out in Resolution 1; and
 - the dilution of existing Shareholders' interests reduces the ability of existing Shareholders to influence the strategic direction of the Company, including acceptance or rejection of take-over or merger proposals.
- 2.7. We are not aware of any alternative proposals which may provide a greater benefit to the Shareholders of MRG at this time.
- 2.8. In our opinion, the position of the Shareholders of MRG if the Proposed Transaction is approved is more advantageous than the position if it is not approved. Therefore, in the absence of any other relevant information and/or a superior offer, we consider that the Proposed Transaction is reasonable for the Shareholders of MRG.

3. Summary of the Proposed Transaction

- 3.1. On 15 March 2013, the Company announced that it had entered into an agreement to issue 45 million ordinary shares in MRG to the Vendors as Consideration for the transfer of all of the issued shares in Sasak, with 15 million ordinary shares subject to a voluntary escrow period of 12 months, 15 million ordinary shares subject to a voluntary escrow period of 24 months, and 15 million ordinary shares subject to a voluntary escrow period of 36 months.
- 3.2. The Proposed Transaction will result in MRG acquiring the Sasak Exploration Projects via its acquisition of Sasak.
- 3.3. The effect of the Proposed Transaction on MRG's issued share capital is illustrated in the table below.

| | Number | % of total |
|---|---------------------------|----------------------|
| <u>MRG Capital Structure Prior to the Proposed Transaction</u> | | |
| Number of ordinary shares held by Shareholders | 88,166,000 | 100.0% |
| Total number of shares prior to the Proposed Transaction | <u>88,166,000</u> | <u>100.0%</u> |
| <u>MRG Capital Structure After the Proposed Transaction</u> | | |
| Number of ordinary shares held by the Vendors | 45,000,000 | 33.8% |
| Number of ordinary shares held by Shareholders | 88,166,000 | 66.2% |
| Total number of shares after the Proposed Transaction | <u>133,166,000</u> | <u>100.0%</u> |

Table 2: MRG Capital Structure Prior to and After the Proposed Transaction

- 3.4. The Proposed Transaction would result in the dilution of Shareholders' interests from 100.0% to 66.2%.
- 3.5. As at the date of this Report, MRG had 44,007,993 unlisted share options on issue at an exercise price of \$0.25, maturing on 21 September 2016.
- 3.6. If the Proposed Transaction is approved, MRG and a newly incorporated company, Sasak TS (intended to be a subsidiary of Sasak Minerals), owned by the principals of Sasak, propose to enter into a TSA, under which Sasak will be a technical consultant to MRG on its portfolio of tenements.
- 3.7. The entry of MRG and Sasak TS into the TSA is subject to Shareholder approval of Resolution 1 and the subsequent completion of the SSA.
- 3.8. The terms of the TSA are as follows:
- MRG and Sasak TS will enter into a TSA under which Sasak TS will be a technical consultant to MRG on its portfolio of tenements. Sasak TS will also provide technical input to assist MRG in the assessment of specific corporate growth opportunities that have been presented to MRG;
 - the minimum term for the TSA is for 24 months;
 - MRG will pay Sasak TS a fee of \$12,500 per calendar month (excluding GST);

- Alfred Eggo, Sasak's Chief Technical Officer, will be available for technical presentations, as required; and
 - during the term of the TSA, MRG and Sasak TS will work together to gain any Government rebates that may be applicable as a result of utilising Sasak's technology on mineral exploration.
- 3.9. The current principals of Sasak will continue to generate and commercialise exploration on a self-funded basis. If the Proposed Transaction is approved, MRG and Sasak Minerals, also a newly incorporated company, will enter into a PGA.
- 3.10. The terms of the PGA are as follows:
- MRG and Sasak Minerals will enter into a PGA under which Sasak Minerals must offer MRG a first and last right of refusal over any new opportunities generated by Sasak Minerals under the PGA; and
 - the minimum term for the PGA is for 24 months.
- 3.11. Other key terms of the Proposed Acquisition include the following:
- Christopher Gregory, Sasak's Executive Director, will be offered appointment as a Non-Executive Director ("NED") of MRG within seven days after approval of the Proposed Transaction. Mr Gregory will be paid remuneration of \$40,000 per annum plus statutory superannuation. In association with the NED appointment, MRG and Mr Gregory will enter into a Consulting Agreement to account for minor additional work that may be over and above the statutory requirements of a NED;
 - Adrian Manger, Sasak's Managing Director, will be offered appointment as a NED of MRG within 24 months from the date of signing the SSA, on terms to be agreed; and
 - at the time of appointment, MRG will provide Directors and Officers insurance for Mr Gregory and Mr Manger.
- 3.12. The principals of Sasak also intend to transfer the GIS database and in-house data mining technology to a separate entity, Sasak Exploration & Mining Technology Pty Ltd ("Sasak IP").

4. Purpose of this Report

Corporations Act

- 4.1. Section 606(1) of the Corporations Act provides that, subject to limited specified exemptions, a person must not acquire a “relevant interest” in issued voting shares in a public company if, as a result of the acquisition, any person’s voting power in the company would increase from 20% or below, to more than 20%. In broad terms, a person has a “relevant interest” in shares if that person holds shares or has the power to control the right to vote or dispose of shares. A person’s voting power in a company is the number of voting shares in which the person (and its associates) has a relevant interest, compared with the total number of voting shares in a company.
- 4.2. On the assumption that the Vendors are deemed to be associates under the Corporations Act, the aggregate voting power of all the Vendors will be combined in order to determine their increase in voting power under section 606.
- 4.3. Completion of the Proposed Transaction will result in the Vendors collectively having a 33.8% relevant interest in the Company.
- 4.4. Section 611, Item 7 of the Corporations Act provides an exemption to the rule noted in paragraph 4.1 above. Section 611, Item 7 allows a party (and its associates) to acquire a relevant interest in shares that would otherwise be prohibited under Section 606(1) of the Corporations Act if the proposed acquisition is approved in advance by a resolution passed at a general meeting of the company, and:
- (i) no votes are cast in favour of the resolution by the proposed acquirer (the Vendors) or respective associates; and
 - (ii) there was full disclosure of all information that was known to the persons proposed to make the acquisition or their associates or known to the company that was material to a decision on how to vote on the resolution.
- 4.5. This Report has been prepared to assist the Directors of MRG in making their recommendations to MRG Shareholders in relation to Resolution 1, and to assist the Shareholders of MRG to assess the merits of the Proposed Transaction. The sole purpose of this Report is to set out RSM’s opinion as to whether the Proposed Transaction is fair and reasonable.
- 4.6. Section 611 states that shareholders must be given all information that is material to the decision on how to vote at the meeting.
- 4.7. RG 111 issued by ASIC advises the commissioning of an Independent Expert’s Report in such circumstances and provides guidance on the content.

Basis of Evaluation

- 4.8. In determining whether the Proposed Transaction is “fair and reasonable” we have given regard to the views expressed by ASIC in RG 111.
- 4.9. RG 111 provides ASIC’s views on how an expert can help security holders make informed decisions about transactions. Specifically it gives guidance to experts on how to evaluate whether or not a proposed transaction is fair and reasonable.

4.10. RG 111 states that the expert report should focus on:

- the issues facing the security holders for whom the report is being prepared; and
- the substance of the transaction rather than the legal mechanism used to achieve it.

4.11. Where an issue of shares by a company otherwise prohibited under Section 606 is approved under Item 7 of Section 611 and the effect on the company's shareholding is comparable to a takeover bid, RG 111 states that the transaction should be analysed as if it were a takeover bid.

4.12. In assessing whether the Proposed Transaction is fair and reasonable to the Shareholders, the analysis undertaken is as follows:

Fairness

4.13. In assessing whether the Proposed Transaction is fair to Shareholders, a comparison of the following is undertaken:

- the value of a MRG share (including a premium for control), prior to the Proposed Transaction and assuming the Proposed Transaction does not proceed; to
- the value of a MRG share (allowing for a minority discount) immediately after the Proposed Transaction, assuming the SSA is approved and MRG acquires the Sasak Exploration Projects. This comparison reflects the fact that the Vendors are obtaining a collective 33.8% interest in the Company.

Reasonableness

4.14. In assessing whether the Proposed Transaction is reasonable to Shareholders, the following analysis has been undertaken:

- a review of other significant factors which Shareholders might consider prior to approving the Proposed Transaction;
- in particular, we have considered the advantages and disadvantages of the Proposed Transaction in the event that it proceeds or does not proceed, including the future prospects of the Company if the Proposed Transaction does not proceed; and
- any other commercial advantages and disadvantages to Shareholders as a consequence of the Proposed Transaction proceeding.

4.15. Our assessment of the Proposed Transaction is based on economic, market and other conditions prevailing at the date of this Report.

4.16. Agricola Mining Consultants Pty Ltd ("Agricola") has prepared two reports providing an independent valuation of the mineral projects held by MRG, and an independent valuation of the mineral projects held by Sasak (collectively, "the Valuation Reports"). For the purpose of this Report, we have relied upon the Valuation Reports provided by Agricola in our assessment of the valuation of the Company. Copies of the Valuation Reports are set out in Appendix 6.

5. Profile of MRG

- 5.1. MRG is an Australian minerals exploration company focused on the discovery and development of gold, silver, other base metals, and thermal coal through its portfolio of mineral exploration assets in Western Australia.
- 5.2. The Company's main exploration projects are discussed below.

Kalgoorlie East Project (gold, silver, nickel and base metals)

- 5.3. The Kalgoorlie East Project comprises 15 prospecting licences, covering an area of approximately 17 km², and is circa 10 km due east of Kalgoorlie in the Eastern Goldfields of Western Australia. The Kalgoorlie East Project is considered prospective for both gold, silver and nickel mineralisation.
- 5.4. MRG has conducted exploration at the Kalgoorlie East Project directed to gold, silver, nickel and base metals. Work to date comprises historic data review and compilation, broadly spaced soil sampling, detailed soil sampling, Moving Loop Electro-Magnetic Survey, Aircore drilling & Reverse Circulation drilling.
- 5.5. Indications of four styles of mineralisation have been identified, lateritic nickel, shear hosted gold, Nimbus style silver mineralisation, and disseminated base metal mineralisation in black shales.
- 5.6. Lateritic nickel was detected in the northern part of the Kalgoorlie East Project with the best result of 5 m @ 1% Ni, 0.2% Co and 0.33% Cr from 5 m down hole.
- 5.7. Shear hosted gold occurs over a strike length of 450 m in the western part of the Kalgoorlie East Project, with the best intercept being 1 m @ 2.61 g/t.
- 5.8. The Nimbus style silver mineralisation was originally detected when drilling gold in soil anomalies south west of Boorara. An Air core hole terminated at 61 m down hole in a quartz veined volcanoclastic rock with a silver assay of 1 m @ 19.1 g/t. Repeat sampling returned 1 m @ 88 & 69 g/t Ag. Later soil sampling to the south of this initial drilling showed that anomalism continued in this direction. This southern soil anomaly was drill tested in November 2012 with the best result of 5 m @ 1.59 g/t Ag.
- 5.9. The Electro-Magnetic survey delineated a number of conductive features suggestive of nickel sulphide accumulations. Subsequent drilling has confirmed that these conductive features are pyritic graphitic black shales. Low tenor zinc and copper mineralisation (up to 1.5% Zn & 0.2% Cu) occurs within these shales.
- 5.10. Following a review of the results generated to date, MRG plans to further assess the nickel potential in the northern part of the Kalgoorlie East Project and follow up on gold and silver anomalies generated by the earlier Aircore drilling and soil sampling programs.

Collie South Project (coal)

- 5.11. The Collie South Coal Project is 40 km south east of the town of Collie, a hub for electricity generation for the southwest of Western Australia. Two operating coal mines within the Collie Basin currently supply thermal coal for power generation.

- 5.12. MRG currently owns a 30% interest in the Collie South Project, with the option to expand the ownership to 100% over the next two years. The Collie South tenement covers 33 km of strike directly south of the main Collie bearing basin and ground surrounding the western Wilga Basin.
- 5.13. Following the literature review and compilation of past exploration work, MRG tested three of eight target areas using Aircore drilling. A single coal seam 3 to 5 m thick lying beneath 10 to 12 m of overburden was discovered.
- 5.14. The coal appears to lie within down faulted sub basins within the broader basin structure. Recent geophysical interpretation of aeromagnetic data has identified an additional target area, but was unable to better resolve the position of the coal bearing sub basins. Based on the results to date, further testing is required, with additional ground geophysics required to target future drilling.

Xanadu Project (gold)

- 5.15. The Xanadu Project is 38 km south east of Paraburdoo in the Pilbara region of Western Australia, comprising 14 prospecting licences covering a northwest trending zone of Proterozoic sediments and carbonates within the Ashburton Basin, and is prospective for Carlin-style gold mineralisation.
- 5.16. Current work by MRG has primarily comprised database consolidation. Exploration is planned to commence in the first half of 2013, after approval of the Program of Works and Native Title Heritage clearances.

Fraser Range Project (gold)

- 5.17. The Fraser Range Project is 100 km south east of Norseman and approximately 60 km due south of the Eyre highway and comprises five ELAs. Two of these ELAs, E63/1552 and E63/1553, were applied for on 27 March 2012. MRG applied for the three other ELs, E63/1629, E63/1630 and E63/1631, in early March 2013 to extend the ground holding in the Fraser Range Project. These new applications are currently being assessed by the Department of Minerals and Petroleum.
- 5.18. The Fraser Range ELAs are 400 km southwest of the Tropicana 5 million ounce gold discovery and 80 km southwest of the recent Nova nickel-copper discovery by Sirius Resources Limited. 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.
- 5.19. Upon grant of the ELs, MRG will compile all open file and geophysical data seeking indications of favourable structural positions and alteration zones. Areas will then be selected for geochemical sampling.

Braemore Project (gold and base metals)

- 5.20. The Braemore Project is 8 km north east of Leonora in the Eastern Goldfields of Western Australia, within the regionally significant north north-westerly trending Keith-Kilkenny Tectonic Zone.
- 5.21. Rotary Air Blast ("RAB") drilling programs returned two intersections within the Braemore Project area. These intercepts are proximal to previously defined Au-As soil anomalism and a northerly trending shear zone observable on magnetics.

Financial Performance

5.22. The financial performance of MRG for the six months ended 31 December 2012, the year ended 30 June 2012, and the period 24 January 2011 to 30 June 2011 is set out in the table below.

| | Ref | Half-year ended 31-Dec-12 <i>Reviewed</i> \$ | Year ended 30-Jun-12 <i>Audited</i> \$ | For the period 24-Jan-11 to 30-Jun-11 <i>Audited</i> \$ |
|---------------------------------|------|---|---|---|
| Revenue | 5.23 | 100,821 | 298,117 | 28,840 |
| Employee benefits expense | | (156,770) | (317,086) | (127,795) |
| Administrative expenses | | (201,546) | (376,708) | (217,705) |
| Exploration expenses | | - | (368,379) | - |
| Loss before tax | | (257,495) | (764,056) | (316,660) |
| Tax expense | | - | - | - |
| Total comprehensive loss | 5.25 | (257,495) | (764,056) | (316,660) |

Source: MRG reviewed financial statements for the half-year ended 31 December 2012, the audited financial statements for the year ended 30 June 2012, and the audited financial statements for the period 24 January 2011 to 30 June 2011

Table 3: MRG Historical Financial Performance

- 5.23. MRG's revenue comprises interest income from bank deposits. The Company has yet to generate operating revenue due to the current exploratory nature of MRG's activities.
- 5.24. The Company incurred \$358,000 and \$1.06 million in employee, administrative and exploration costs for the six months ended 31 December 2012 and the year ended 30 June 2012, respectively.
- 5.25. The Company incurred a loss of \$764,000 for the year ended 30 June 2012, compared to a loss of \$317,000 for the five-month period ended 30 June 2011. MRG incurred losses of \$257,000 for the six months ended 31 December 2012.

Financial Position

5.26. The financial position of MRG as at 31 December 2012, 30 June 2012 and 30 June 2011 is set out in the table below.

| | Ref | As at 31-Dec-12 Reviewed \$ | As at 30-Jun-12 Audited \$ | As at 30-Jun-11 Audited \$ |
|----------------------------|------|--------------------------------------|-------------------------------------|-------------------------------------|
| ASSETS | | | | |
| Current assets | | | | |
| Cash and cash equivalents | 5.31 | 3,737,148 | 4,362,737 | 5,145,091 |
| Other receivables | | 23,466 | 44,436 | 92,370 |
| Total current assets | | 3,760,614 | 4,407,173 | 5,237,461 |
| Non-current assets | | | | |
| Plant and equipment | | 736 | 736 | - |
| Exploration and evaluation | 5.28 | 2,371,547 | 2,089,540 | 1,146,623 |
| Total non-current assets | | 2,372,283 | 2,090,276 | 1,146,623 |
| Total assets | | 6,132,897 | 6,497,449 | 6,384,084 |
| LIABILITIES | | | | |
| Current liabilities | | | | |
| Employee benefits | | 10,962 | 10,062 | 4,716 |
| Trade and other payables | | 75,610 | 183,567 | 150,034 |
| Total current liabilities | | 86,572 | 193,629 | 154,750 |
| Total liabilities | | 86,572 | 193,629 | 154,750 |
| NET ASSETS | 5.27 | 6,046,325 | 6,303,820 | 6,229,334 |
| EQUITY | | | | |
| Share capital | 5.29 | 7,384,536 | 7,384,536 | 6,545,994 |
| Retained earnings | | (1,338,211) | (1,080,716) | (316,660) |
| TOTAL EQUITY | 5.27 | 6,046,325 | 6,303,820 | 6,229,334 |

Source: MRG reviewed financial statements for the half-year ended 31 December 2012, the audited financial statements for the year ended 30 June 2012, and the period 1 January 2011 to 30 June 2011

Table 4: MRG Historical Financial Position

5.27. MRG disclosed net assets of \$6.0 million as at 31 December 2012, and \$6.3 million at 30 June 2012.

5.28. Exploration and evaluation expenditure assets comprise the costs capitalised for the mineral assets held by MRG. During the 2012 financial year, the Company capitalised \$943,000 in exploration and evaluation assets, comprising \$1.27 million in exploration and evaluation expenditure, and disposed of a number of exploration tenements with a book value of \$332,000. For the six months ended 31 December 2012, MRG capitalised a further \$282,000, resulting in exploration and evaluation expenditure assets of \$2.4 million at 31 December 2012.

- 5.29. During the 2012 financial year, the Company issued a total of 2,000,000 new ordinary shares to exploration tenement vendors at \$0.20 per share. 1,000,000 ordinary shares were issued to the vendors of the Kalgoorlie East Project, and 1,000,000 ordinary shares were issued to the vendors of the Collie South Project.
- 5.30. 50,000 options were also exercised at \$0.25 per share.
- 5.31. The Company's cash position has decreased from \$5.1 million at 30 June 2011 to \$3.7 million at 31 December 2012.

Capital Structure

- 5.32. As at the date of this Report, MRG had 88,166,000 ordinary shares on issue, of which 60.9% were held by the top 20 Shareholders. The top 20 Shareholders in MRG as at 8 May 2013 are set out in the table below.

| Shareholder | Number of Shares | % |
|---|-------------------|---------------|
| OTTAWA RESOURCES PTY LTD | 11,364,000 | 12.9% |
| MR JOHN DANIEL POWELL | 3,049,000 | 3.5% |
| G&C HEDT PTY LTD | 2,560,000 | 2.9% |
| BIGSON PTY LTD | 2,560,000 | 2.9% |
| GULF COUNTRY INVESTMENTS PTY LTD | 2,400,000 | 2.7% |
| LIFE-STYLE CONNECTIONS PTY LTD | 2,100,000 | 2.4% |
| MR LESLIE ROBERT KNIGHT & MRS HEATHER MARGERY KNIGHT & MR TIMOTHY PAUL KNIGHT | 2,070,000 | 2.3% |
| MINICO PTY LTD | 2,022,500 | 2.3% |
| MARK BOLTON | 2,000,000 | 2.3% |
| MR BRUCE MC FARLANE & MRS JANE CHARLWOOD | 2,000,000 | 2.3% |
| KATHRYN VAN DER ZWAN | 1,930,000 | 2.2% |
| NICHOLAS FAMMARTINO | 1,760,000 | 2.0% |
| UBS WEALTH MANAGEMENT AUSTRALIA NOMINEES PTY LTD | 1,674,500 | 1.9% |
| TIGERLAND INVESTMENTS PTY LTD | 1,534,000 | 1.7% |
| TRR INVESTMENTS PTY LTD | 1,400,000 | 1.6% |
| AZNANOB PTY LTD | 1,380,000 | 1.6% |
| MR RODNEY LAURENCE STAGGARD & MS DONNA LEE BERRY | 1,380,000 | 1.6% |
| RYLET PTY LTD | 1,380,000 | 1.6% |
| NOTEMARL PTY LTD | 1,280,000 | 1.5% |
| SONIA POPOVIC | 1,280,000 | 1.5% |
| 33RD INFINITY PTY LTD | 1,280,000 | 1.5% |
| A & J TURNER PTY LTD | 1,190,000 | 1.3% |
| SAGE ADMINISTRATION PTY LTD | 1,102,500 | 1.3% |
| MALANTI PTY LTD | 1,090,000 | 1.2% |
| HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED | 1,000,000 | 1.1% |
| MARLOSS FIFTEEN PTY LTD | 880,000 | 1.0% |
| | 53,666,500 | 60.9% |
| Other Shareholders | 34,499,500 | 39.1% |
| Total | 88,166,000 | 100.0% |

Table 5: MRG Shareholder Summary at 8 May 2013

5.33. As at the date of this Report, MRG had 44,007,993 unlisted options on issue at an exercise price of \$0.25, maturing on 21 September 2016. Of these options, 59.0% were held by the top 20 option holders. The top 20 option holders in MRG as at 8 May 2013 are set out in the table below.

| Option Holder | Number of Options | % |
|---|-------------------|---------------|
| OTTAWA RESOURCES PTY LTD | 5,639,500 | 12.8% |
| MR JOHN DANIEL POWELL | 1,404,500 | 3.2% |
| MR BRUCE MC FARLANE & MRS JANE CHARLWOOD | 1,330,000 | 3.0% |
| G&C HEDT PTY LTD | 1,280,000 | 2.9% |
| GULF COUNTRY INVESTMENTS PTY LTD | 1,200,000 | 2.7% |
| HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED | 1,154,750 | 2.6% |
| LIFE-STYLE CONNECTIONS PTY LTD | 1,050,000 | 2.4% |
| MR LESLIE ROBERT KNIGHT & MRS HEATHER MARGERY KNIGHT & MR TIMOTHY PAUL KNIGHT | 1,035,000 | 2.4% |
| MINICO PTY LTD | 1,000,000 | 2.3% |
| KATHRYN VAN DER ZWAN | 965,000 | 2.2% |
| RYLET PTY LTD | 940,000 | 2.1% |
| NICHOLAS FAMMARTINO | 880,000 | 2.0% |
| BIGSON PTY LTD | 880,000 | 2.0% |
| MR RODNEY LAURENCE STAGGARD & MS DONNA LEE BERRY | 855,000 | 1.9% |
| TIGERLAND INVESTMENTS PTY LTD | 700,000 | 1.6% |
| SAGE ADMINISTRATION PTY LTD | 695,000 | 1.6% |
| TRR INVESTMENTS PTY LTD | 690,000 | 1.6% |
| A & J TURNER PTY LTD | 640,000 | 1.5% |
| 33RD INFINITY PTY LTD | 640,000 | 1.5% |
| NOTEMARL PTY LTD | 640,000 | 1.5% |
| SONIA POPOVIC | 640,000 | 1.5% |
| GARDMAC PTY LTD | 624,182 | 1.4% |
| UBS WEALTH MANAGEMENT AUSTRALIA NOMINEES PTY LTD | 567,000 | 1.3% |
| MALANTI PTY LTD | 500,000 | 1.1% |
| | 25,949,932 | 59.0% |
| Other Option Holders | 18,058,061 | 41.0% |
| Total | 44,007,993 | 100.0% |

Table 6: MRG Option Holder Summary at 8 May 2013

Share Price and Performance

5.34. The daily closing share price and traded volumes of MRG shares on the ASX from 8 June 2011 (the date the Company first began trading) to 9 May 2013 is set out in the table below.

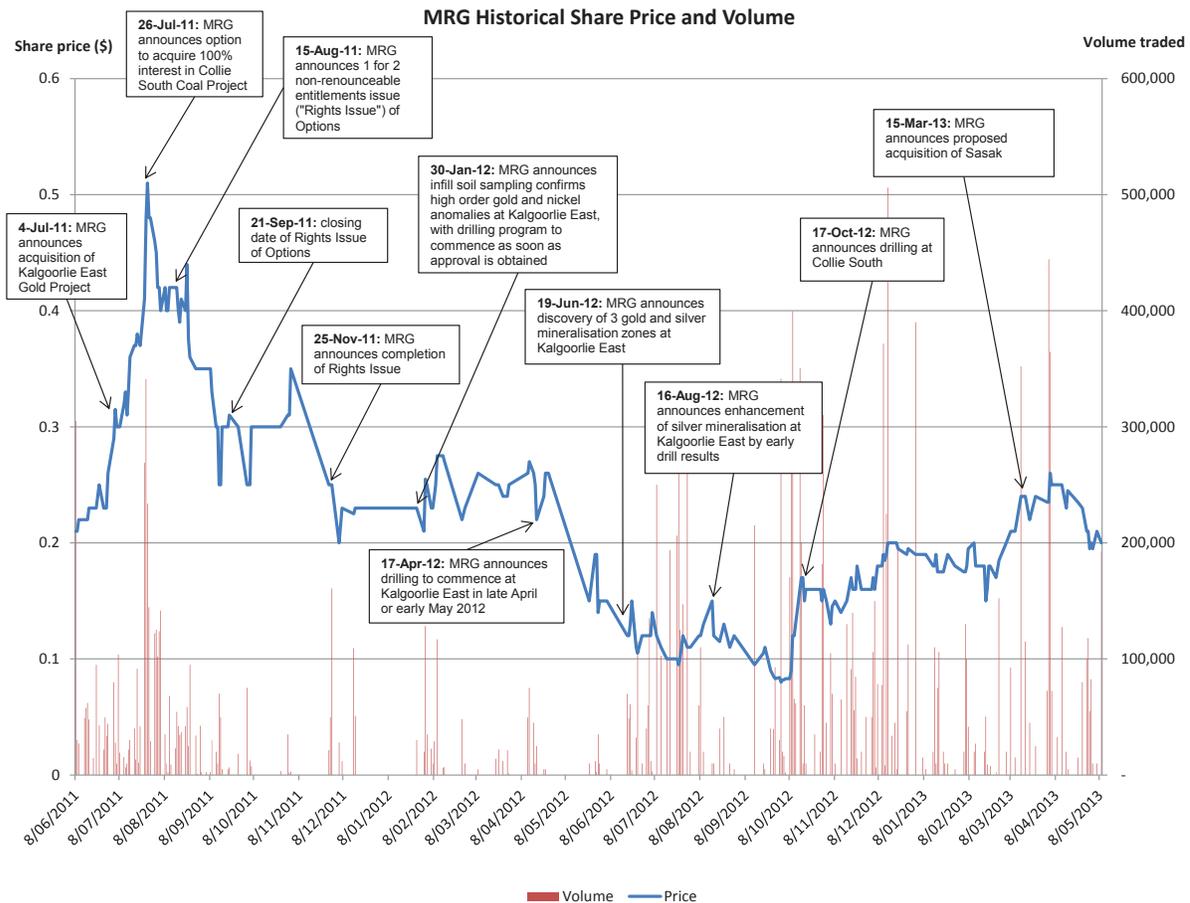


Chart 1: MRG Daily Closing Share Price and Traded Volumes from 8 June 2011 to 9 May 2013
(Source: Capital IQ, ASX announcements and RSM analysis)

5.35. MRG was admitted to the official list of the ASX on 6 June 2011, with official quotation of the Company's securities commencing on 8 June 2011.

5.36. At the commencement of trading, MRG's issued capital comprised 86,116,000 fully paid ordinary shares, comprising 28,091,000 ordinary shares available for trading, and the following restricted securities:

- 28,336,000 ordinary fully paid shares held in escrow for a period of 12 months from the date of issue (issued 18 March 2011), until 18 March 2012;
- 5,250,000 ordinary fully paid shares held in escrow for a period of 12 months from the date of issue (issued 27 May 2011), until 27 May 2012; and

- 24,439,000 ordinary fully paid shares held in escrow for a period of 24 months from the commencement of official quotation, until 8 June 2013.
- 5.37. On 4 July 2011, MRG announced the acquisition of the Kalgoorlie East Project for consideration of 1,000,000 ordinary shares issued at \$0.20 per share, and payment of \$20,000 to the vendors.
- 5.38. On 26 and 29 July 2011, MRG announced that it had entered into an agreement to acquire a 30% interest in the Collie South Project for consideration of \$50,000 and 1,000,000 ordinary shares issued at \$0.20 per share to the vendors. MRG also had options to expand its interest in the Collie South Project to 100% over the next three years.
- 5.39. On 15 August 2011, MRG announced its offer for shareholders to participate in a 1 for 2 non-renounceable entitlement issue (“Rights Issue”) of options (“Options”). The last trading day for shareholders to become eligible for the entitlement was 23 August 2011. All shareholders registered as at 7.00 pm AEST on 30 August 2011 were entitled to participate in the Rights Issue of Options on the basis of 1 Option for every 2 Shares held. The Options were issued at \$0.01 per Option and at an exercise price of \$0.25, maturing 21 September 2016. In the event that the Options were fully subscribed, a maximum of 44,107,993 Options would be issued.
- 5.40. The offer to participate in the Rights Issue closed on 21 September 2011, and 38,816,708 Options were issued on 28 September 2011. On 9 November 2011, 50,000 Options were exercised, resulting in the issue of 50,000 quoted ordinary shares in MRG.
- 5.41. On 25 November 2011, the Company announced that it had issued the shortfall of 5,241,285 Options to foreign shareholders who had met the legal requirements, existing shareholders who did not receive their mail in time to accept by 21 September 2011, and other shareholders. The Options were fully subscribed with 44,057,993 Options issued on 25 November 2011 (less the 50,000 Options exercised). The Rights Issue raised \$440,580 less costs of \$14,538.
- 5.42. On 30 January 2012, MRG announced that infill soil sampling at the Kalgoorlie East Project had identified a number of geochemical gold and nickel anomalies. The Company proposed to commence a drilling program to test 8 prime gold targets and ground electromagnetics to test 5 nickel targets.
- 5.43. On 18 March 2012 and 27 May 2012, 28,336,000 and 5,250,000 shares were released from escrow, respectively.
- 5.44. On 17 April 2012, MRG announced that the necessary preparatory work, including heritage survey, works approval and contract tendering was near to completion and a drill program at Kalgoorlie East was planned to commence by late April to early May 2012.
- 5.45. On 19 June 2012, MRG announced that it had identified 3 mineralised zones (silver, gold and base metals) during the initial Kalgoorlie East Project drill program. The Company announced that based on the preliminary results obtained, its current focus would be on further testing for the silver mineralisation identified adjacent to Macpherson Resources Limited’s Nimbus deposit, 2.5 km to the north east.
- 5.46. On 16 August 2012, MRG announced that following its detailed geographical mapping and a review of drilling and geochemical soil data, the results merited further drill holes at the silver mineralisation adjacent to the Nimbus silver mine at the Kalgoorlie East Project. The Company intended to commence further drill holes in late August 2012.

- 5.47. On 17 October 2012, MRG announced that drilling had commenced at the Collie South Project following the receipt of the Department of Mining and Petroleum and Land owner approvals. The Company also announced its review of opportunities at the Xanadu Project to monetise 3 – 5,000 oz remnant gold in an old leach pit, and further plans for infill drilling and drill testing.
- 5.48. On 15 March 2013, MRG announced the Proposed Acquisition of Sasak.
- 5.49. MRG's share price has fluctuated from a high of \$0.51 on 27 July 2011, to a low of \$0.08 on 2 October 2012. Since 2 October 2012, the Company's share price has shown an increasing trend, reaching a high of \$0.24 on 15 March 2013, the date the Proposed Acquisition was announced. Since the announcement to 6 May 2013, MRG's share price has fluctuated between \$0.195 and \$0.26. Share prices reached a high of \$0.26 on 4 April 2013, before decreasing to \$0.20 as at 9 May 2013.
- 5.50. The liquidity of MRG's shares is very low, with circa 1.69% of the quoted shares traded in the 60 days available for trading prior to the announcement of the Proposed Acquisition.

6. Profile of Sasak

6.1. Sasak is a privately owned Australian company, founded in November 2010 with its current ownership structure as follows:

- 27.2% interest owned by Alfred Eggo (Chief Technical Officer) via El Gaia Holdings Pty Ltd;
- 18.3% interest owned by Julian Bavin (Non-Executive Chairman) via Julian Bavin Holdings Pty Ltd ATF the Julian Bavin Super Fund;
- 27.2% interest owned by Adrian Manger (Managing Director) via Lograr Investments Pty Ltd ATF the Bolte Investment Trust; and
- 27.2% interest owned by Christopher Gregory (Executive Director) via Jolanza Pty Ltd ATF Jolanza trust and Maria Gregory and Christopher Jordan Gregory ATF the CJ&M Gregory Superannuation Fund.

6.2. Sasak has developed its in-house data mining technology, maintains a large GIS database, and is principally engaged in the application of data mining techniques including predictive analytics to identify and commercialise high potential or high value mineral exploration targets.

6.3. An overview of the Sasak Exploration Projects is set out below.

East Yilgarn and Fraser Range Projects (gold)

6.4. The East Yilgarn (Yamarna) and Fraser Range Projects comprise the following ELs and ELAs:

- East Yilgarn Greenstone – 14 ELs;
- Yeo Lake Greenstone – 1 ELA;
- East Yilgarn (Yamarna) – 1 ELA; and
- Fraser Range (Loongana) – 1 ELA.

6.5. Sasak owns 14 granted ELs over 2,000 km² of unexplored Yilgarn greenstone and two other ELAs in the area. In addition, Sasak has an ELA at Loongana (Fraser Range), within the Albany-Fraser Orogen.

Mount Isa Projects

6.6. Sasak has identified three Iron Oxide Copper Gold (“IOCG”) targets on open ground within the Mount Isa Block in Queensland and currently has three ELAs in place.

Financial Performance

6.7. The financial performance of Sasak for the nine months ended 31 March 2013, and the two years ended 30 June 2012 is set out in the table below.

| | Ref | 9 months ended 31-Mar-13 Unaudited \$ | Year ended 30-Jun-12 Unaudited \$ | Year ended 30-Jun-11 Unaudited \$ |
|---------------------------------|------|--|--|--|
| Revenue | 6.8 | - | - | - |
| Expenses | | | | |
| Accountancy | | (1,720) | (2,489) | - |
| Bank fees and charges | | (90) | (120) | (60) |
| Business meeting expenses | | (3,418) | (1,285) | - |
| Consultants fees | | (10,013) | (12,294) | (13,094) |
| Tenement rents expense | | (74,514) | - | - |
| Exploration expenses | 6.11 | (75,000) | (60,000) | - |
| Filing fees | | (230) | (226) | - |
| Formation expenses | | (150) | (200) | (200) |
| Internet expense | | (454) | (265) | (306) |
| Interest - Australia | | - | (9,396) | - |
| Legal fees | | - | (14,045) | (4,568) |
| Lodgement fees | | - | (138) | - |
| Postage | | - | (17) | - |
| Printing and stationery | | (497) | (101) | - |
| Rates and land taxes | | (31,047) | (7,462) | - |
| Travel expenses | | (2,077) | - | - |
| Loss before tax | 6.9 | (199,210) | (108,038) | (18,228) |
| Tax expense | | - | - | - |
| Total comprehensive loss | 6.12 | (199,210) | (108,038) | (18,228) |

Source: Sasak management accounts for the period ended 31 March 2013, and the unaudited financial statements for the two years ended 30 June 2012

Table 7: Sasak Historical Financial Performance

- 6.8. Sasak does not currently generate operating revenue due to the exploratory nature of its activities.
- 6.9. Sasak incurred \$199,000 and \$108,000 in administrative, tenement rental expenses, and exploration costs for the nine months ended 31 March 2013 and the year ended 30 June 2012, respectively. None of the Sasak owners receives a salary. Sasak does not maintain a permanent office and has no overhead expenses. The owners are responsible for their own personal costs incurred in performing work.
- 6.10. Sasak was initially financed through shareholder debt. In December 2011, Sasak began to issue B Class shares, with B Class equity the primary source of funding.
- 6.11. We have been advised that in recognition of Alfred Eggo's work in developing Sasak's in-house data mining technology and GIS database, Sasak has issued to El Gaia Holdings Pty Ltd ("El Gaia") allotments of B Class shares at \$nil consideration. Sasak accounted for the issue and value of the B Class equity to El Gaia by expensing these costs as exploration expenses in the profit and loss. Sasak issued \$75,000

and \$60,000 in B Class equity to El Gaia at \$nil consideration, for the nine months ended 31 March 2013 and the year ended 30 June 2012, respectively.

- 6.12. Sasak incurred a loss of \$108,000 for the year ended 30 June 2012, compared to a loss of \$18,000 for the year ended 30 June 2011. Sasak disclosed net losses of \$199,000 for the nine months ended 31 March 2013.

Financial Position

- 6.13. The financial position of Sasak as at 31 March 2013, 30 June 2012 and 30 June 2011 is set out in the table below.

| | Ref | As at 31-Mar-13 Unaudited \$ | As at 30-Jun-12 Unaudited \$ | As at 30-Jun-11 Unaudited \$ |
|----------------------------|-------------|---------------------------------------|---------------------------------------|---------------------------------------|
| ASSETS | | | | |
| Current assets | | | | |
| Cash and cash equivalents | 6.19 | 96,735 | 11,534 | 952 |
| GST receivable | | 683 | 995 | 1,897 |
| Total current assets | | 97,418 | 12,529 | 2,849 |
| Non-current assets | | | | |
| Permit applications | 6.15 | 116,775 | 100,724 | 95,440 |
| Formation expenses | 6.15 | 450 | 600 | 800 |
| Total non-current assets | | 117,225 | 101,324 | 96,240 |
| Total assets | | 214,643 | 113,853 | 99,089 |
| LIABILITIES | | | | |
| Current liabilities | | | | |
| Loan - Adrian Manger | | - | - | 117,305 |
| Total current liabilities | | - | - | 117,305 |
| Total liabilities | | - | - | 117,305 |
| NET ASSETS | 6.14 | 214,643 | 113,853 | (18,216) |
| EQUITY | | | | |
| Ordinary shares | 6.16 - 6.18 | 540,120 | 120 | 12 |
| B Class shares | 6.16 - 6.18 | - | 240,000 | - |
| Accumulated losses | | (325,477) | (126,267) | (18,228) |
| TOTAL EQUITY | 6.14 | 214,643 | 113,853 | (18,216) |

Source: Sasak management accounts for the period ended 31 March 2013, and the unaudited financial statements for the two years ended 30 June 2012

Table 8: Sasak Historical Financial Position

- 6.14. Sasak disclosed net assets of \$215,000 at 31 March 2013, and \$114,000 at 30 June 2012.
- 6.15. To date, Sasak has only capitalised application costs incurred to obtain its portfolio of ELs and ELAs, and formation costs of the company.



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- 6.16. During the year ended 30 June 2012, Sasak issued \$240,000 in B Class shares (\$60,000 per owner). Of this \$240,000 in Class B equity, \$60,000 in B Class shares was issued to El Gaia for \$nil consideration.
- 6.17. During the period ended 31 March 2013, Sasak issued a further \$300,000 in B Class shares (\$75,000 per owner). \$75,000 in B Class shares was issued to El Gaia for \$nil consideration.
- 6.18. As at 31 March 2013, Sasak had lodged its application with ASIC to consolidate and convert its B Class shares into ordinary shares.
- 6.19. Sasak's cash position has increased from \$952 at 30 June 2011 to \$97,000 at 31 March 2013.

Corporate Structure

- 6.20. Subject to Shareholder approval of the Proposed Transaction, Sasak intends to implement its new corporate structure comprising Sasak Minerals, Sasak TS and Sasak IP, as set out in paragraphs 3.6 to 3.12.

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7. Valuation Approach

Valuation Methodologies

- 7.1. In assessing the value of MRG prior to and immediately following the Proposed Transaction, we have considered a range of valuation methodologies. RG 111 proposes that it is generally appropriate for an expert to consider using the following methodologies:
- the discounted cash flow (“DCF”) method and the estimated realisable value of any surplus assets;
 - the application of earnings multiples to the estimated future maintainable earnings or cashflows added to the estimated realisable value of any surplus assets;
 - the amount which would be available for distribution on an orderly realisation of assets;
 - the quoted price for listed securities; and
 - any recent genuine offers received.
- 7.2. We consider that the valuation methodologies proposed by RG 111 can be split into three valuation methodology categories, as follows:
- Market Based Methods;
 - Discounted Cash Flow Methods; and
 - Asset Based Methods.

Market Based Methods

- 7.3. Market based methods estimate the fair market value by considering the market value of a company’s securities or the market value of comparable companies. Market based methods include;
- the quoted price for listed securities; and
 - industry specific methods.
- 7.4. The recent quoted price for listed securities method provides evidence of the fair market value of a company’s securities where they are publicly traded in an informed and liquid market.
- 7.5. Industry specific methods usually involve the use of industry rules of thumb to estimate the fair market value of a company and its securities. Generally rules of thumb provide less persuasive evidence of the fair market value of a company than other market based valuation methods because they may not account for company specific risks and factors.

Income Based Methods

- 7.6. Income based methods estimate value by calculating the present value of a company’s estimated future stream of earnings or cash flows. Income based methods include:
- discounted cash flow methods; and
 - capitalisation of maintainable earnings.

- 7.7. The DCF technique has a strong theoretical basis, valuing a business on the net present value of its future cash flows. It requires an analysis of future cash flows, the capital structure and costs of capital and an assessment of the residual value or the terminal value of the company's cash flows at the end of the forecast period. This method of valuation is appropriate when valuing companies where future cash flow projections can be made with a reasonable degree of confidence.
- 7.8. The capitalisation of earnings methodology is generally considered a short form DCF, where an estimation of the Future Maintainable Earnings ("FME") of the business, rather than a stream of cash flows is capitalised based on an appropriate capitalisation multiple. Multiples are derived from the analysis of transactions involving comparable companies and the trading multiples of comparable companies.

Asset Based Methods

- 7.9. Asset based methodologies estimate the fair market value of a company's securities based on the realisable value of its identifiable net assets. Asset based methods include:
- orderly realisation of assets method;
 - liquidation of assets method; and
 - net assets on a going concern basis.
- 7.10. The value achievable in an orderly realisation of assets is estimated by determining the net realisable value of the assets of a company which would be distributed to security holders after payment of all liabilities, including realisation costs and taxation charges that arise, assuming the company is wound up in an orderly manner. This technique is particularly appropriate for businesses with relatively high asset values compared to earnings and cash flows.
- 7.11. The liquidation of assets method is similar to the orderly realisation of assets method except the liquidation method assumes that the assets are sold in a shorter time frame, reflecting a distressed liquidation value. The liquidation of assets method will result in a value that is lower than the orderly realisation of assets method, and is appropriate for companies in financial distress or when a company is not valued on a going concern basis.
- 7.12. The net assets on a going concern method estimates the market values of the net assets of a company but unlike the orderly realisation of assets method, it does not take into account realisation costs. Asset based methods are appropriate when companies are not profitable, a significant proportion of the company's assets are liquid, or for asset holding companies.

Valuation methodology of mineral projects utilised by Agricola

- 7.13. RG 111 envisages the use by an independent expert of specialists when valuing specific assets. We determined the need for a specialist's involvement with regard to valuing MRG mineral projects and the Sasak Exploration Projects. We have engaged Agricola to prepare independent technical valuation and assessment reports for MRG's mineral projects and the Sasak Exploration Projects ("the Valuation Reports").
- 7.14. Agricola's Valuation Reports have been prepared in accordance with the requirements of the VALMIN code and the code for Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Experts in Australia. We have satisfied ourselves as to Agricola's

qualifications and independence from MRG and Sasak and have place reliance on the Valuation Reports. Copies of the Valuation Reports are set out in Appendix 6.

- 7.15. Agricola has utilised the Kilburn Geoscience Rating (“Geo-factor Rating”) and the Prospectivity Enhancement Multiplier (“PEM”) methodologies to value the mineral projects held by MRG and Sasak. The Geo-factor Rating is the primary valuation methodology utilised by Agricola to value the MRG and Sasak mineral projects.

Geo-factor Rating method

- 7.16. The Geo-factor Rating method systematically assesses and grades four key technical attributes of a tenement to arrive at a series of multiplier factors.
- 7.17. The Basic Acquisition Cost (“BAC”) is calculated as the sum of the application fees, annual rent, work required to facilitate granting, and statutory expenditure for a period of 12 months. This is usually expressed as average expenditure per km². Equity ownership and grant status are also taken into account. Each factor is then multiplied serially to the BAC. The “Base Value” is multiplied by the prospectivity rating (the assessment of prospectivity factors multiplied together) to establish the overall technical value of each mineral property.
- 7.18. In arriving at a fair market value for a particular exploration tenement, consideration is given to the current market for exploration properties in Australia and overseas. Agricola has applied a market premium to the technical value of the exploration potential of the tenements to derive a fair market value for an exploration tenement.

PEM method

- 7.19. Past expenditure on a tenement and/or future committed future exploration expenditure can establish a base value from which the effectiveness of exploration can be assessed. Where exploration has produced documented results, a PEM can be derived which takes into account a valuer’s judgement of the prospectivity of the tenement and the value of the database.
- 7.20. The selection of the appropriate PEM is a matter of experience and judgement. Agricola has applied a scale of PEM ranges to the exploration expenditure as follows:

| PEM Range | Criteria |
|------------------|---|
| • 1.3 – 1.5 | Exploration has considerably increased the prospectivity (geological mapping, geochemical or geophysical) |
| • 1.5 – 2.0 | Scout Drilling has identified interesting intersections of mineralisation |
| • 2.0 – 2.5 | Detailed Drilling has defined targets with potential economic interest |
| • 2.5 – 3.0 | A resource has been defined at Inferred Resource Status, no feasibility study has been completed |

Selection of Valuation Methodologies*Valuation of a MRG Share prior to the Proposed Transaction*

- 7.21. In valuing a share in MRG prior to the Proposed Transaction we have utilised the net assets on a going concern methodology and relied upon the net book value of assets and liabilities as set out in MRG's reviewed financial statements as at 31 December 2012, and the valuation of MRG's mineral projects as set out in Agricola's report (refer Appendix 6).

Quoted Price of Listed Securities

- 7.22. As a secondary method of valuing a MRG share prior to the Proposed Transaction we have also considered the quoted price for listed securities methodology. In accordance with RG 111, we have assessed the value of MRG's shares on the basis of a 100% controlling interest.
- 7.23. Prices at which a company's shares have been traded on the ASX can, in the absence of low liquidity or unusual circumstances, provide an objective measure of the value of the company, excluding a premium for control.
- 7.24. As a cross-check, we have considered the quoted market price by considering the historical Volume Weighted Average Price ("VWAP") of MRG shares and the volatility of the share price prior to and after the announcement of the Proposed Transaction.

Valuation of Sasak

- 7.25. In order to assess the value of MRG immediately following the Proposed Transaction, it is necessary to value the assets being incorporated into MRG, being the 100% shareholding in Sasak and the associated 100% interest in the Sasak Exploration Projects.
- 7.26. The only assets held by Sasak as at 31 March 2013 are cash and cash equivalents of \$97,000, GST receivable of \$683, and non-current assets of \$117,000, comprising capitalised permit application costs of \$116,775 and formation costs of \$450.
- 7.27. In valuing Sasak, we have utilised the net assets on a going concern methodology and relied upon the net book value of assets as set out in Sasak's management accounts as at 31 March 2013, and the valuation of the Sasak Exploration Projects as set out in Agricola's Valuation Report.

Valuation of the Merged Group

- 7.28. We have calculated the value of a share in the Merged Group to allow us to assess the fairness of the Proposed Transaction. The value of the Merged Group is based on the combined values of MRG and Sasak, adjusted for a minority discount to reflect the fact that approval of the SSA will result in the Vendors obtaining a 33.8% interest in MRG.

8. Valuation of MRG

- 8.1. As stated in paragraphs to 7.21 to 7.24, we have assessed the value of MRG prior to the Proposed Transaction on the basis of the fair value of the underlying assets and have also considered the recent quoted price of its listed securities.

Valuation of MRG prior to the Proposed Transaction

Net Assets on a Going Concern Basis

- 8.2. Our assessment of the fair value of MRG's net assets is shown in the table below, based on the reviewed net assets of the Company as at 31 December 2012, adjusted to reflect the fair value of the mineral projects.

| | Ref | Prior to the Proposed Transaction | | |
|---|-----------|-----------------------------------|-------------------|------------------|
| | | Low | High | Preferred |
| | | \$ | \$ | \$ |
| ASSETS | | | | |
| Current assets | | | | |
| Cash and cash equivalents | | 3,737,148 | 3,737,148 | 3,737,148 |
| Other receivables | | 23,466 | 23,466 | 23,466 |
| Total current assets | | <u>3,760,614</u> | <u>3,760,614</u> | <u>3,760,614</u> |
| Non-current assets | | | | |
| Plant and equipment | | 736 | 736 | 736 |
| Value of MRG mineral projects as assessed by Agricola | 8.3 - 8.4 | 5,200,000 | 6,500,000 | 5,800,000 |
| Total non-current assets | | <u>5,200,736</u> | <u>6,500,736</u> | <u>5,800,736</u> |
| Total assets | | <u>8,961,350</u> | <u>10,261,350</u> | <u>9,561,350</u> |
| LIABILITIES | | | | |
| Current liabilities | | | | |
| Employee benefits | | 10,962 | 10,962 | 10,962 |
| Trade and other payables | | 75,610 | 75,610 | 75,610 |
| Total current liabilities | | <u>86,572</u> | <u>86,572</u> | <u>86,572</u> |
| Total liabilities | | <u>86,572</u> | <u>86,572</u> | <u>86,572</u> |
| NET ASSETS | | <u>8,874,778</u> | <u>10,174,778</u> | <u>9,474,778</u> |
| Number of ordinary shares on issue (undiluted) | 8.10 | 88,166,000 | 88,166,000 | 88,166,000 |
| Assessed value per share (\$) | | <u>0.101</u> | <u>0.115</u> | <u>0.107</u> |

Source: RSM analysis and Agricola

Table 9: Assessed Value of MRG on a Net Assets Basis (Prior to the Proposed Transaction)

- 8.3. Capitalised exploration and evaluation expenditure are all related to expenditure on the mineral projects valued by Agricola. We have therefore excluded all capitalised exploration and evaluation expenditure as at 31 December 2012, and included Agricola's valuation of MRG's mineral projects.

- 8.4. The range of values attributed to MRG's mineral projects comprising the Kalgoorlie East, Collie South, Xanadu, Fraser Range and Braemore Projects by Agricola is \$5.2 million to \$6.5 million with a preferred value of \$5.8 million.
- 8.5. We are not aware of any other indicators that the book value of assets and liabilities of MRG differ materially from their fair value.
- 8.6. The table below sets out a summary of the value per share of MRG prior to the Proposed Transaction.

| | Low \$ | High \$ | Preferred \$ |
|---|--------------|--------------|-----------------|
| Value of MRG's mineral projects | 5,200,000 | 6,500,000 | 5,800,000 |
| Other assets and liabilities | 3,674,778 | 3,674,778 | 3,674,778 |
| Value of MRG on a net assets on a going concern basis | 8,874,778 | 10,174,778 | 9,474,778 |
| Number of shares on issue | 88,166,000 | 88,166,000 | 88,166,000 |
| Assessed value per share (\$) | 0.101 | 0.115 | 0.107 |

Source: RSM analysis and Agricola

Table 10: Summary Assessed Value of MRG on a Net Assets Basis (Prior to the Proposed Transaction)

- 8.7. Our assessed value of a MRG share prior to the Proposed Transaction is therefore in the range of \$0.101 to \$0.115 per share, with a preferred value of \$0.107.
- 8.8. The methodologies applied represent the value of a controlling shareholding. Accordingly we consider the value generated under the net assets on a going concern basis to already incorporate a premium for control and no further premium is considered necessary to assess the value of MRG.
- 8.9. As set out in paragraphs 3.5 and 5.41, MRG currently has 44,007,993 Options on issue at an exercise price of \$0.25, maturing on 21 September 2016.
- 8.10. We have excluded the Options from our analysis for the following reasons:
- the Options are significantly out of the money when compared to our assessed preferred value per share of \$0.107 (refer Table 10);
 - despite being in the money for 38% of the period between 28 September 2011 to 26 April 2012, only 50,000 of the total of 44,057,993 Options issued between 28 September 2011 and 25 November 2011, have been exercised to date;
 - at the date of this Report, the current MRG share price was \$0.20; and
 - the low liquidity of the Company's traded shares reflects that the market for MRG shares is not deep and therefore its share price may not be a reliable indicator of value as the market for those shares may not be fully efficient.

Quoted Price of Listed Securities

- 8.11. In order to provide a cross-check to the valuation of a MRG share under the net assets on a going concern basis, we have also assessed the fair value based on the quoted market price.
- 8.12. The assessment only reflects trading prior to the announcement of the Proposed Transaction in order to avoid the influence of any movement in price that occurred as a result of the announcement.
- 8.13. The Proposed Transaction was announced to the ASX on 15 March 2013. Chart 2 sets out the daily closing price and traded volumes of MRG over the 12-month period to 14 March 2013, being the last trading day prior to the announcement.
- 8.14. Over this period, the closing price of MRG shares has fluctuated between a high of \$0.27 on 13 April 2012 to a low of \$0.08 on 2 October 2012. After 2 October 2012, MRG's share price reached a high of \$0.21 on the last trading day prior to the announcement of the Proposed Transaction.

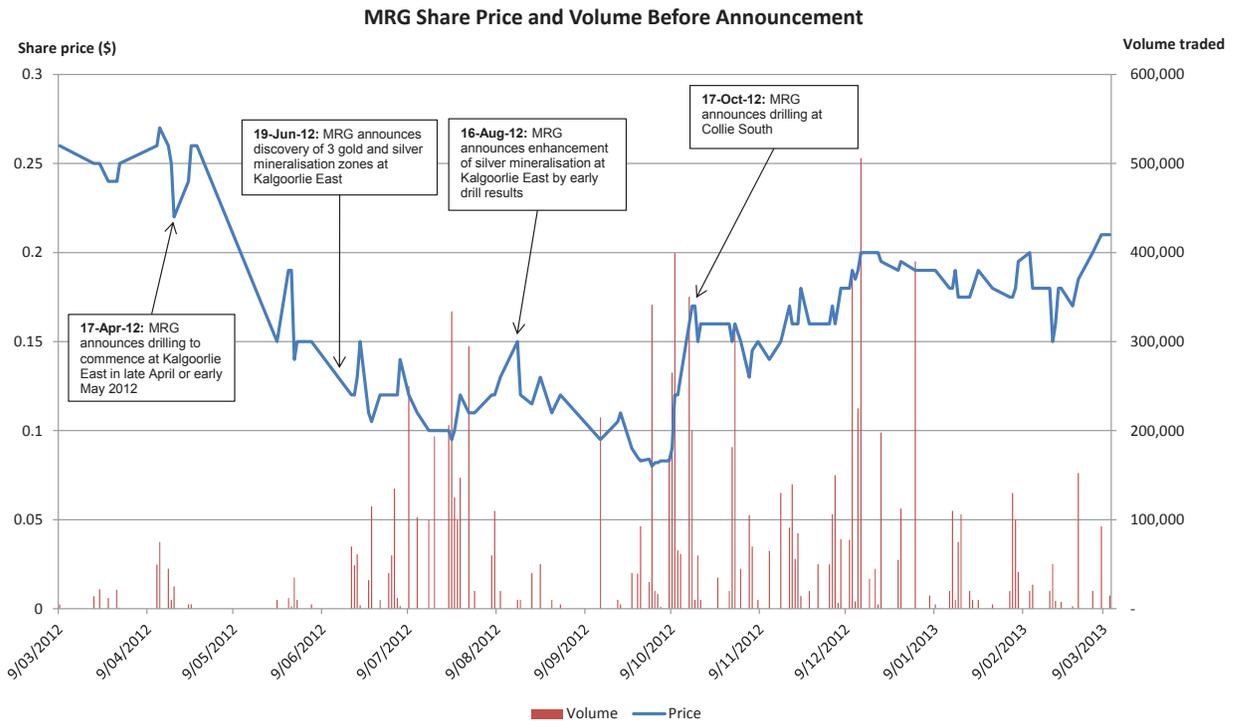


Chart 2: MRG Daily Closing Share Price and Traded Volumes Prior to the Announcement
(Source: Capital IQ, ASX announcements and RSM analysis)

- 8.15. In order to provide further analysis of the market prices for MRG shares, we have considered the VWAP for the 1 day, 5 days, 10 days, 30 days and 60 days trading day periods to 14 March 2013 as set out in the table below.

| Trading days prior to 15 March 2013 | High | Low | Value (\$) | Volume | VWAP | Volume traded as % of issued shares |
|-------------------------------------|-------|-------|------------|-----------|-------|-------------------------------------|
| 1 day | 0.210 | 0.210 | 3,150 | 15,000 | 0.210 | 0.02% |
| 5 days | 0.210 | 0.210 | 22,575 | 107,500 | 0.210 | 0.17% |
| 10 days | 0.210 | 0.185 | 54,743 | 279,760 | 0.196 | 0.44% |
| 30 days | 0.210 | 0.150 | 74,220 | 397,500 | 0.187 | 0.62% |
| 60 days | 0.210 | 0.150 | 196,587 | 1,080,000 | 0.182 | 1.69% |

Source: Capital IQ and RSM analysis

Table 11: VWAP of MRG prior to the Announcement of the Proposed Transaction

- 8.16. We note the following:
- Table 11 shows that only 1.69% of MRG's quoted shares have been traded in the 60 trading day period prior to the announcement of the Proposed Transaction which indicates a very low level of liquidity;
 - the VWAP has ranged from a low of \$0.182 to \$0.210 in the 60 day trading period before the announcement of the Proposed Transaction;
 - notwithstanding the level of liquidity, MRG complies with the full disclosure regime required by the ASX. As a result, the market is fully informed about the performance of MRG; and
 - in the absence of other share offers, the trading share price represents the value minority shareholders could realise if they wanted to exit their investment.
- 8.17. Our assessment of the fair value of a MRG share is based on the 1 day to 60 days VWAP prior to the announcement of the Proposed Transaction, and therefore on the basis of a minority interest, is between \$0.182 to \$0.210.
- 8.18. The value above is indicative of the value of a marketable parcel of shares assuming a shareholder does not have control of MRG. In the case of a Section 611 acquisition, RG 111 states that the independent expert should calculate the value of a target's shares as if 100% control were being obtained. Therefore, in our assessment of the fair value of a MRG share, we should include a premium for control.

- 8.19. RSM Bird Cameron has undertaken a survey of control premiums paid over a 5-year period to 30 June 2011 in 292 successful takeovers and schemes of arrangements of companies listed on the ASX ("RSM Bird Cameron Control Premium Study 2012"). The findings are summarised in the table below, showing the average control premium 20 days, 5 days and 2 days prior to announcement.

| | Number of Transactions | 20 Days Pre | 5 Days Pre | 2 Days Pre |
|---|------------------------|-------------|------------|------------|
| Average control premium - All Industries | 292 | 34.5% | 28.9% | 25.6% |
| Average control premium - Metals & Mining | 78 | 38.46% | 34.49% | 31.01% |

Table 12: Average Control Premium over five years to 30 June 2011
(Source: RSM Bird Cameron Control Premium Study 2012)

- 8.20. We have selected a control premium of 30% (having regard to control premiums paid for companies operating in the metals and mining industry as set out in Table 12), and applied it to our assessed value of a MRG share on a minority interest basis as set out in the table below.

| | Low \$ | High \$ |
|--|--------------|--------------|
| Quoted market price value | 0.182 | 0.210 |
| Control premium | 30% | 30% |
| Quoted market price valuation including a premium for control | 0.237 | 0.273 |

Source: RSM analysis

Table 13: Assessed Value of a MRG Share Based on the Quoted Share Price

- 8.21. Our valuation of a MRG share on the basis of the quoted market price, including a premium for control, is therefore between \$0.237 and \$0.273.

Valuation Summary

- 8.22. A summary of our assessed values of a MRG share prior to the Proposed Transaction is shown below.

| | Low \$ | High \$ |
|---|--------|---------|
| Net assets on a going concern - primary methodology | 0.101 | 0.115 |
| Quoted market price value - secondary methodology | 0.237 | 0.273 |

Source: RSM analysis

Table 14: MRG Valuation Summary Prior to the Proposed Transaction

- 8.23. We have relied upon the net assets on a going concern valuation methodology as we consider that the trading market for MRG's shares is not deep enough to provide a fair value. MRG shares have not historically traded in significant volumes or on a regular basis. Further, we note that in the year prior to the announcement of the Proposed Transaction, between 27.7% to 34.8% of the Company's issued ordinary shares were held in escrow.
- 8.24. We consider that the variance between the historic traded share price and our assessed value most likely reflects, amongst other factors, that the market for MRG shares is not deep and therefore its share price may not be a reliable indicator of value as the market for those shares may not be fully efficient.
- 8.25. In addition, it is possible that the market has attributed a value to MRG's future exploration potential, particularly in relation to the quality of the Company's management team, and to the increase in the Company's exploration asset portfolio in the event that MRG acquires Sasak, which is not reflected in the net assets valuation methodology.
- 8.26. In our view, the market may have also attributed a value to the future exploration potential of MRG's Fraser Range Project, located 400 km southwest of the Tropicana gold discovery and 80 km southwest of the nickel-copper discovery by Sirius Resources Limited. We have therefore only relied on the quoted listed securities valuation methodology as guidance and a cross-check to our primary valuation methodology.
- 8.27. We have therefore assessed the fair value of a MRG share on a controlling basis prior to the Proposed Transaction to be in the range of \$0.101 and \$0.115 with a preferred value of \$0.107.

9. Valuation of the Merged Group

Valuation of MRG after the Proposed Transaction

- 9.1. As required by RG 111, in order to provide an indication of the value of the Company immediately after the Proposed Transaction, we have calculated the theoretical underlying value of the a share in MRG immediately after the Proposed Transaction (“the Merged Group”).
- 9.2. The table below sets out our assessed value of the Merged Group (on a controlling basis) and has been calculated as the sum of parts of MRG, Sasak (based on the unaudited net assets at 31 March 2013, adjusted to reflect the fair market value of the Sasak Exploration Projects), and the issue of 45 million MRG ordinary shares issued as Consideration for the acquisition of Sasak.

| | Prior to the Proposed Transaction | | | Ref | After the Proposed Transaction | | |
|---|-----------------------------------|-------------------|------------------|-----------|--------------------------------|-------------------|-------------------|
| | Assessed value | | | | Assessed value | | |
| | Low | High | Preferred | | Low | High | Preferred |
| | \$ | \$ | \$ | | \$ | \$ | \$ |
| ASSETS | | | | | | | |
| Current assets | | | | | | | |
| Cash and cash equivalents | 3,737,148 | 3,737,148 | 3,737,148 | | 3,737,148 | 3,737,148 | 3,737,148 |
| Cash and cash equivalents (Sasak) | - | - | - | 9.5 | - | - | - |
| Other receivables | 23,466 | 23,466 | 23,466 | | 23,466 | 23,466 | 23,466 |
| GST receivable (Sasak) | - | - | - | 9.5 | - | - | - |
| Total current assets | 3,760,614 | 3,760,614 | 3,760,614 | | 3,760,614 | 3,760,614 | 3,760,614 |
| Non-current assets | | | | | | | |
| Plant and equipment | 736 | 736 | 736 | | 736 | 736 | 736 |
| Value of MRG exploration assets as assessed by Agricola | 5,200,000 | 6,500,000 | 5,800,000 | | 5,200,000 | 6,500,000 | 5,800,000 |
| Value of the Sasak Exploration Projects as assessed by Agricola | - | - | - | 9.3 - 9.4 | 5,300,000 | 7,700,000 | 6,500,000 |
| Formation costs (Sasak) | - | - | - | 9.5 | 450 | 450 | 450 |
| Total non-current assets | 5,200,736 | 6,500,736 | 5,800,736 | | 10,501,186 | 14,201,186 | 12,301,186 |
| Total assets | 8,961,350 | 10,261,350 | 9,561,350 | | 14,261,800 | 17,961,800 | 16,061,800 |
| LIABILITIES | | | | | | | |
| Current liabilities | | | | | | | |
| Employee benefits | 10,962 | 10,962 | 10,962 | | 10,962 | 10,962 | 10,962 |
| Trade and other payables | 75,610 | 75,610 | 75,610 | | 75,610 | 75,610 | 75,610 |
| Total current liabilities | 86,572 | 86,572 | 86,572 | | 86,572 | 86,572 | 86,572 |
| Total liabilities | 86,572 | 86,572 | 86,572 | | 86,572 | 86,572 | 86,572 |
| NET ASSETS | 8,874,778 | 10,174,778 | 9,474,778 | | 14,175,228 | 17,875,228 | 15,975,228 |
| Number of ordinary shares on issue | 88,166,000 | 88,166,000 | 88,166,000 | 9.6 - 9.7 | 133,166,000 | 133,166,000 | 133,166,000 |
| Assessed value per share (\$) | 0.101 | 0.115 | 0.107 | | 0.106 | 0.134 | 0.120 |

Source: RSM and Agricola

Table 15: Assessed Value of the Merged Group (on a controlling basis)

- 9.3. Sasak has only capitalised application costs incurred to obtain its portfolio ELs and ELAs for the Sasak Exploration Projects. We have therefore excluded all application costs as at 31 March 2013, and included Agricola’s valuation of the Sasak Exploration Projects.
- 9.4. The range of values attributed to the Sasak Exploration Projects comprising the East Yilgarn, Fraser, and Mt Isa Projects by Agricola is \$5.3 million to \$7.7 million with a preferred value of \$6.5 million.

- 9.5. Sasak's only other assets at 31 March 2013 comprised cash and cash equivalents of \$97,000, GST receivable of \$683 and formation costs of \$450. We have been advised that prior to the completion of the acquisition, cash and cash equivalents and GST receivable will not form part of the Proposed Transaction. We have therefore excluded these assets from our valuation of the Merged Group.
- 9.6. As set out in paragraphs 3.1 to 3.3 and Table 2, the total number of ordinary shares in MRG would increase to 133,166,000 in the event the Proposed Transaction is approved.
- 9.7. As the Options are significantly out of the money when compared to our assessed preferred value per share of \$0.112 after the Proposed Transaction (refer Table 16), and for the reasons as set out in paragraph 8.10, we have also excluded the Options from our analysis of the value of a MRG share after the Proposed Transaction.
- 9.8. The table below sets out a summary of the value per share of the Merged Group (adjusted for a minority discount) immediately after the Proposed Transaction.

| | Low \$ | High \$ | Preferred \$ |
|--|---------------------|---------------------|---------------------|
| Value of MRG's mineral projects | 5,200,000 | 6,500,000 | 5,800,000 |
| Value of the Sasak Exploration Projects | 5,300,000 | 7,700,000 | 6,500,000 |
| Other assets and liabilities | 3,675,228 | 3,675,228 | 3,675,228 |
| Value of the Merged Group (controlling interest) | <u>14,175,228</u> | <u>17,875,228</u> | <u>15,975,228</u> |
| Discount for lack of control (%) | 5% | 10% | 7.5% |
| | (708,761) | (1,787,523) | (1,198,142) |
| Value of the Merged Group (non-controlling interest) | <u>13,466,467</u> | <u>16,087,705</u> | <u>14,777,086</u> |
| Number of shares on issue | 133,166,000 | 133,166,000 | 133,166,000 |
| Assessed value per share (\$) | <u>0.101</u> | <u>0.121</u> | <u>0.111</u> |

Source: RSM analysis and Agricola

Table 16: Summary Assessed Value of the Merged Group (After the Proposed Transaction)

- 9.9. The value the Merged Group set out in Table 15 is the value of a MRG share on a controlling basis. Therefore, in our assessment of the fair value of a MRG share on a non-controlling basis, we have reflected a discount for lack of control.
- 9.10. In the event the Proposed Transaction is approved, the Vendors will acquire a 33.8% interest in MRG. Whilst the Vendors do not obtain control of the Company, this blocking interest will enable the Vendors to influence the strategic direction of the Company, including blocking special resolutions, and acceptance or rejection of take-over or merger proposals.
- 9.11. Based on the analysis above, we have applied a discount for lack of control in the range of 5% to 10%, when assessing the value of a MRG share on a non-controlling basis.
- 9.12. Our assessed value of a MRG share immediately after the Proposed Transaction is therefore in the range of \$0.101 to \$0.121 per share, with a preferred value of \$0.111.



10. Is The Proposed Transaction Fair?

10.1. Our assessed values of a MRG share prior to and immediately after the Proposed Transaction are summarised in the table below.

| | Low \$ | High \$ | Preferred \$ |
|---|-----------|------------|-----------------|
| Value per MRG share prior to the Proposed Transaction | 0.101 | 0.115 | 0.107 |
| Value per MRG share after the Proposed Transaction | 0.101 | 0.121 | 0.111 |

Source: RSM analysis

Table 17 Valuation Summary

10.2. As the value of a MRG share after the Proposed Transaction is greater than the value prior, and in the absence of any other relevant information, in our opinion, the Proposed Transaction is **Fair** to the Shareholders.

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11. Is The Proposed Transaction Reasonable?

11.1. To assess whether the Proposed Transaction is “reasonable”, we have considered the following:

- the future prospects of MRG if the Proposed Transaction does not proceed;
- alternative offers and sources of funds;
- other commercial advantages and disadvantages to the Shareholders as a consequence of the Proposed Transaction proceeding; and
- the response of the market to the announcement of the Proposed Transaction.

Future Prospects of MRG if the Proposed Transaction Does Not Proceed

11.2. If Resolution 1 is not approved, the MRG may have to pursue other strategic investments or partnerships to achieve its objectives in diversifying the Company’s exploration asset portfolio and assessing specific corporate growth opportunities.

Alternative Offers

11.3. We are unaware of any alternative proposal at this time which would offer the Shareholders a premium over the strategic investments proposed through the acquisition of Sasak.

Advantages

11.4. The key advantages to MRG Shareholders accepting Resolution 1 are:

- the Proposed Transaction is fair;
- the Company will acquire the Sasak Exploration Projects, further adding to MRG’s current exploration asset portfolio;
- MRG may benefit from the technical expertise provided under the TSA in the assessment of specific corporate growth opportunities;
- MRG may benefit from the first and last right of refusal over any new opportunities generated by Sasak Minerals under the PGA; and
- in the event that the Proposed Transaction is approved, Sasak’s Executive Director and Managing Director will be offered appointments as Non-Executive Directors, and will be able to offer additional minerals industry experience to the MRG Board of Directors.

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Disadvantages

11.5. The key disadvantages of the Proposed Transaction are as follows:

- the dilution of Shareholders' interests from 100.0% to 66.2% following approval of the Proposed Transaction set out in Resolution 1;
- the dilution of existing Shareholders' interests reduces the ability of existing Shareholders to influence the strategic direction of the Company, including acceptance or rejection of take-over or merger proposals;
- as set out in Tables 10 and 16, the Options are significantly out of the money when compared to our valuations of a MRG share prior to, and immediately after the Proposed Transaction, and therefore, have been excluded from our analysis. However, for completeness, we have assessed the value of a MRG share prior to, and immediately after the Proposed Transaction on a fully-diluted basis, assuming all the Options are exercised. The table below sets out a summary of the value of a MRG share prior to, and immediately after the Proposed Transaction on a fully-diluted basis;

| | Low \$ | High \$ | Preferred \$ |
|--|---------------------|---------------------|---------------------|
| Prior to the Proposed Transaction | | | |
| Value of MRG's mineral projects | 5,200,000 | 6,500,000 | 5,800,000 |
| Increase in cash assuming all Options are exercised | 11,001,998 | 11,001,998 | 11,001,998 |
| Other assets and liabilities | 3,674,778 | 3,674,778 | 3,674,778 |
| Value of MRG on a net assets on a going concern basis | <u>19,876,776</u> | <u>21,176,776</u> | <u>20,476,776</u> |
| Number of shares on issue assuming Options are exercised | 132,173,993 | 132,173,993 | 132,173,993 |
| Assessed value per share (\$) (fully-diluted basis) prior to the Proposed Transaction | <u>0.150</u> | <u>0.160</u> | <u>0.155</u> |
| After the Proposed Transaction | | | |
| Value of MRG's mineral projects | 5,200,000 | 6,500,000 | 5,800,000 |
| Value of the Sasak Exploration Projects | 5,300,000 | 7,700,000 | 6,500,000 |
| Increase in cash assuming all Options are exercised | 11,001,998 | 11,001,998 | 11,001,998 |
| Other assets and liabilities | 3,675,228 | 3,675,228 | 3,675,228 |
| Value of the Merged Group (controlling interest) | <u>25,177,226</u> | <u>28,877,226</u> | <u>26,977,226</u> |
| Discount for lack of control (%) | 5% | 10% | 7.5% |
| | <u>(1,258,861)</u> | <u>(2,887,723)</u> | <u>(2,023,292)</u> |
| Value of the Merged Group (non-controlling interest) | <u>23,918,365</u> | <u>25,989,504</u> | <u>24,953,934</u> |
| Number of shares on issue assuming Options are exercised | 177,173,993 | 177,173,993 | 177,173,993 |
| Assessed value per share (\$) (fully-diluted basis) after the Proposed Transaction | <u>0.135</u> | <u>0.147</u> | <u>0.141</u> |

Source: RSM analysis and Agricola

Table 18: Summary Assessed Value of MRG Prior to and After the Proposed Transaction (fully-diluted basis)

- in the event that Shareholders fully exercise their Options, the value of an MRG share after the Proposed Transaction is less than the value of an MRG share prior to the Proposed Transaction; and

- further, we note that in excess of 4,889,777 Options (approximately one-ninth of the total Options on issue) would have to be exercised before the value of an MRG share on a diluted basis, after the Proposed Transaction, is less than the value of an MRG share prior to the Proposed Transaction. We consider this scenario to be reasonably unlikely in the short-term for the reasons set out in paragraph 8.10.

Response of the Market to the Announcement of the Proposed Transaction

- 11.6. The table below sets out the VWAP of the MRG share price and the volumes traded 1 day and 5 days before, and the period after the announcement of the Proposed Transaction on 15 March 2013.

| | Closing price | High | Low | Value (\$) | Volume | VWAP | Volume traded as % of issued shares |
|--|---------------|-------|-------|------------|-----------|-------|-------------------------------------|
| Trading days prior to 15 March 2013 | | | | | | | |
| 1 day | 0.210 | 0.210 | 0.210 | 3,150 | 15,000 | 0.210 | 0.02% |
| 5 days | - | 0.210 | 0.210 | 22,575 | 107,500 | 0.210 | 0.17% |
| Period from 15 March 2013 | | | | | | | |
| 15-Mar-13 | 0.240 | 0.240 | 0.240 | 84,466 | 351,940 | 0.240 | 0.55% |
| 15-Mar-13 to 9-May-13 | - | 0.260 | 0.195 | 545,675 | 2,338,990 | 0.233 | 3.67% |

Source: Capital IQ and RSM analysis

Table 19: VWAP of MRG after the Announcement of the Proposed Transaction

- 11.7. Volume of shares traded was low at 3.67% in the period measured after the announcement of the Proposed Transaction. The VWAP of \$0.233 to 9 May 2013 is 11.0% higher than the VWAP of \$0.210 measured 1 and 5 days before the announcement of the Proposed Transaction.
- 11.8. Notwithstanding the low liquidity of MRG's traded shares, it would appear that the market has reacted favourably to the announcement of the Proposed Acquisition of Sasak.



RSM Bird Cameron Corporate Pty Ltd

AFS Licence No 255847

Conclusion on Reasonableness

- 11.9. In our opinion, the position of the Shareholders if the Proposed Transaction is approved is more advantageous than the position if it is not approved. Therefore, in the absence of any other relevant information and/or a superior offer, we consider that the Proposed Transaction is **Reasonable** for the Shareholders of MRG.
- 11.10. An individual shareholder's decision in relation to the Proposed Transaction may be influenced by his or her individual circumstances. If in doubt, Shareholders should consult an independent advisor.

Yours faithfully

RSM BIRD CAMERON CORPORATE PTY LTD

G YATES
Director

A GILMOUR
Director

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Appendix 1 – Declarations and Disclaimers

Declarations and Disclosures

RSM Bird Cameron Corporate Pty Ltd holds Australian Financial Services Licence 255847 issued by ASIC pursuant to which they are licensed to prepare reports for the purpose of advising clients in relation to proposed or actual mergers, acquisitions, takeovers, corporate reconstructions or share issues.

Qualifications

Our report has been prepared in accordance with professional standard APES 225 “Valuation Services” issued by the Accounting Professional & Ethical Standards Board.

RSM Bird Cameron Corporate Pty Ltd is beneficially owned by the partners of RSM Bird Cameron (RSMBC) a large national firm of chartered accountants and business advisors.

Mr Glyn Yates and Mr Andrew Gilmour are directors of RSM Bird Cameron Corporate Pty Ltd. Both Mr Yates and Mr Gilmour are Chartered Accountants with extensive experience in the field of corporate valuations and the provision of independent expert’s reports for transactions involving publicly listed and unlisted companies in Australia.

Reliance on this Report

This report has been prepared solely for the purpose of assisting the Shareholders of MRG Metals Limited in considering the Proposed Transaction. We do not assume any responsibility or liability to any party as a result of reliance on this report for any other purpose.

Reliance on Information

Statements and opinions contained in this report are given in good faith. In the preparation of this report, we have relied upon information provided by the directors and management of MRG Metals Limited and we have no reason to believe that this information was inaccurate, misleading or incomplete. However, we have not endeavoured to seek any independent confirmation in relation to its accuracy, reliability or completeness. RSM Bird Cameron Corporate Pty Ltd does not imply, nor should it be construed that it has carried out any form of audit or verification on the information and records supplied to us.

The opinion of RSM Bird Cameron Corporate Pty Ltd is based on economic, market and other conditions prevailing at the date of this report. Such conditions can change significantly over relatively short periods of time.

In addition, we have considered publicly available information which we believe to be reliable. We have not, however, sought to independently verify any of the publicly available information which we have utilised for the purposes of this report.

We assume no responsibility or liability for any loss suffered by any party as a result of our reliance on information supplied to us.

Disclosure of Interest

Mr Shane Turner is a current director of the Company. Mr Turner is a senior manager in the Business Solutions division of the Ballarat office of RSM Bird Cameron. Mr Turner is not a director of RSM Bird Cameron Corporate Pty Limited and has had no involvement in the preparation of this Report. At the date of this report, none of RSM Bird Cameron Corporate Pty Ltd, RSMBC, Glyn Yates, Andrew Gilmour nor any other member, director, partner or employee of RSM Bird Cameron Corporate Pty Ltd and RSMBC has any interest in the outcome of the Proposed Transaction, except that Mr Turner is a director of the Company, and RSM Bird Cameron Corporate Pty Ltd are expected to receive a fee of approximately \$27,500 (excluding GST) based on time occupied at normal professional rates for the preparation of this report. The fees are payable regardless of whether MRG Metals Limited receives Shareholder approval for the Proposed Transaction, or otherwise.

Consents

RSM Bird Cameron Corporate Pty Ltd consents to the inclusion of this report in the form and context in which it is included with the Explanatory Memorandum to be issued to Shareholders. Other than this report, none of RSM Bird Cameron Corporate Pty Ltd, RSM Bird Cameron Partners or RSMBC has been involved in the preparation of the Notice of General Meeting and Explanatory Statement. Accordingly, we take no responsibility for the content of the Notice of General Meeting and Explanatory Statement as a whole.

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Appendix 2 – Sources of Information

In preparing this report we have relied upon the following principal sources of information:

- MRG reviewed financial statements for the half-year ended 31 December 2012;
- MRG Annual Report for the years ended 30 June 2012, and the period 24 January 2011 to 30 June 2012;
- Sasak unaudited financial statements for the nine months ended 31 March 2013, and the two years ended 30 June 2012;
- MRG share registry provided by MRG Management as at 8 May 2013;
- MRG draft and final copies of the Notice of Meeting and Explanatory Memorandum;
- Share Subscription Agreement between MRG and Sasak Resources Australia Pty Ltd;
- Technical Services Agreement and Project Generation Agreement between MRG and Sasak Resources Australia Pty Ltd;
- Independent Valuation of the Mineral Projects Held by MRG Metals Limited in Western Australia, dated 7 April 2013;
- Independent Valuation of the Mineral Projects Held by Sasak Resources Australia Pty Ltd in Western Australia and Queensland, dated 7 April 2013;
- Announcements and other information from the ASX and MRG website;
- Capital IQ Database;
- IBISWorld; and
- Discussions with Management of MRG and Sasak.

Appendix 3 – Glossary of Terms and Abbreviations

| Term | Definition |
|-----------------------|---|
| Ag | Silver |
| Agricola | Agricola Mining Consultants Pty Ltd |
| As | Arsenic |
| ASIC | Australian Securities & Investments Commission |
| ASX | Australian Securities Exchange |
| Au | Gold |
| AuEq | Gold equivalent |
| Co | Cobalt |
| Cr | Chromium |
| Cu | Copper |
| Directors | The directors of MRG |
| EL | Exploration Licence |
| ELA | Exploration Licence Application |
| Equity | The owner's interest in property after deduction of all liabilities |
| Going Concern | An ongoing operating business enterprise |
| g/t | Grammes per tonne |
| IER | Independent Expert's Report |
| JORC | Australasian Joint Ore Reserves Committee |
| Km² | Square kilometres |
| Management | The management of MRG and Sasak |

| Term | Definition |
|-------------------------------------|---|
| MRG or the Company | MRG Metals Limited |
| Mt | Million tonnes |
| PGA | Project Generation Agreement |
| RSM | RSM Bird Cameron Corporate Pty Limited |
| \$ or A\$ | Australian dollars |
| Sasak | Sasak Resources Australia Pty Ltd |
| Sasak Minerals | Sasak Minerals Pty Ltd |
| Sasak TS | Sasak Technical Services Pty Ltd |
| Shareholders | Shareholders of MRG not associated with the Vendors or its associates |
| Share Subscription Agreement | Share Sale Agreement between MRG and the Vendors |
| t | Tonne |
| TSA | Technical Services Agreement |
| Troy oz | Troy ounce, unit measurement for gold and silver |
| VALMIN Code | Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports |
| US\$ or USD | US Dollars |
| Vendors | The owners and principals of Sasak comprising: <ul style="list-style-type: none"> • Alfred Eggo via El Gaia Holdings Pty Ltd; • Julian Bavin via Julian Bavin Holdings Pty Ltd ATF the Julian Bavin Super Fund; • Adrian Manger via Lograr Investments Pty Ltd ATF the Bolte Investment Trust; and • Christopher Gregory via Jolanza Pty Ltd ATF Jolanza trust and Maria Gregory and Christopher Jordan Gregory ATF the CJ&M Gregory Superannuation Fund. |
| VWAP | Volume Weighted Average Share Price |

Appendix 4 – Profile of the Australian Gold Industry

Background

Australia's gold resources occur and are mined in all States and the Northern Territory¹. 80% of Australia's gold production comes from open-cut mines, with the remaining 20% from underground mines².

Gold resources

Australia's Economic Demonstrated Resources ("EDR") of gold was approximately 8,410 tonnes as at 31 December 2010 compared to 7,399 tonnes as at 31 December 2009³ representing an increase of 13.7%. Australia's EDR of gold makes Australia the largest demonstrated resource holder of gold followed by South Africa (holding about 6,000 tonnes) and Russia (holding about 5,000 tonnes)⁴.

On the basis of calendar year exploration expenditure reported by the Australian Bureau of Statistics ("ABS"), gold received the second largest share of exploration expenditure, with iron ore remaining the dominant target in 2010. Gold exploration spending amounted to \$624 million and 25% of total exploration spending. Western Australia continued to dominate gold exploration by attracting \$412 million and its share of total gold exploration rose from 60% in 2009 to 66% in 2010⁵.

Gold Production

Australia's gold ore production is expected to be circa 265 tonnes in 2012-13, compared with 227 tonnes in 2007-08. Gold production is expected to increase over the five years to 2017-18 as new mines commence operation and gold prices are expected to increase in both US dollars and local currency⁶.

Most gold ore mined in Australia is refined locally and then exported. The value of gold exports is expected to be circa \$17.1 billion in 2012-13. Imports of gold bullion to Australia are also substantial, amounting to circa \$8.4 billion in 2012-13⁷.

Gold Price

Gold prices are quoted by Commodity Exchange, Inc. ("COMEX"), a division of the New York Mercantile Exchange. The global balance between gold ore output and demand plays a key role in setting gold prices. Continued concerns about conditions in global financial markets and ongoing tension in the Middle East have contributed to rises in the world gold price⁸.

¹ Australian Government, GeoScience Australia, Australia's Identified Mineral Resource 2011.

² IBISWorld Industry Report B1314 – Gold Ore Mining in Australia, December 2012.

³ Australian Government, GeoScience Australia, Australia's Identified Mineral Resource 2011.

⁴ Australian Government, GeoScience Australia, Australia's Identified Mineral Resource 2011.

⁵ Australian Government, GeoScience Australia, Australia's Identified Mineral Resource 2011.

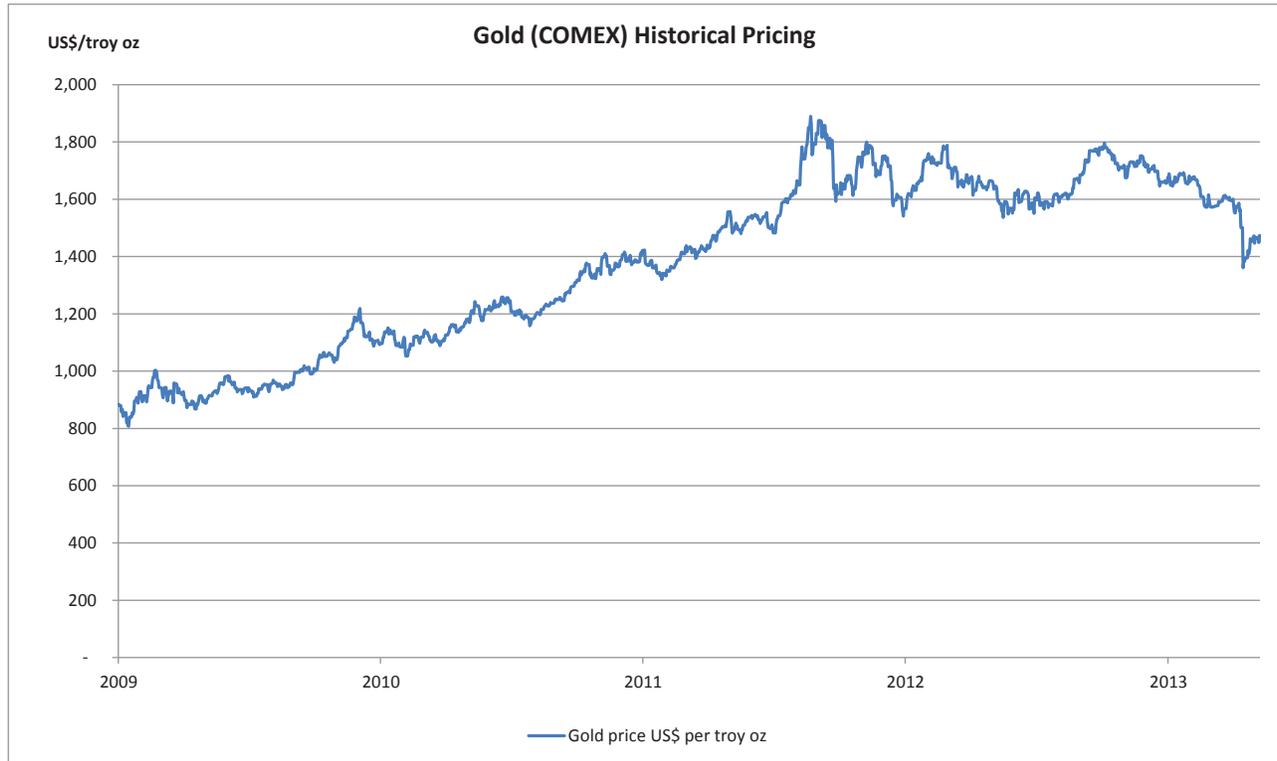
⁶ IBISWorld Industry Report B1314 – Gold Ore Mining in Australia, December 2012.

⁷ IBISWorld Industry Report B1314 – Gold Ore Mining in Australia, December 2012.

⁸ IBISWorld Industry Report B1314 – Gold Ore Mining in Australia, December 2012.

Gold prices (as well as other commodities) are priced in US dollars. Therefore, the revenues of industry participants in Australia are exposed to the volatility in exchange rates, in addition to gold prices

The historical gold prices as quoted on the COMEX are set out below.



Source: Capital IQ

Chart 3: Historical COMEX Gold Prices

Gold prices showed an increasing trend from 2009, peaking at a high of US\$1,874 in September 2011, reflecting continued global uncertainty and increased reliance on gold's traditional use as a store of value⁹. However, since that time, gold prices have displayed a decreasing trend, reaching a low of US\$1,361.1 on 15 April 2013, before increasing to US\$1,473.7 as at 8 May 2013¹⁰.

⁹ IBISWorld Industry Report B1314 – Gold Ore Mining in Australia, December 2012.

¹⁰ Capital IQ

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Appendix 5 – Profile of the Australian Silver Industry

Background

Silver is mined and produced mainly as a co-product of lead, zinc, copper and, to a lesser extent, gold. Australia's silver resources occur in all states but predominantly in Queensland¹¹.

Silver resources

Australia's EDR¹² of silver was approximately 77,000 tonnes as at 31 December 2010 which is 15% of world economic resources¹³.

On the basis of calendar year exploration expenditure reported by the ABS, in 2010, exploration spending on zinc, lead and silver was \$67 million, 39% higher than in 2009. The 2010 expenditure was 12% of total base metal expenditure of \$563 million. Expenditure on exploration for the three commodities made up only 2.7% of all mineral exploration of \$2.49 billion (excluding petroleum)¹⁴.

Silver Production

Australia's mine output of silver is expected to be circa 61.4 million troy ounces in 2012-13, compared with 60.0 million troy ounces in 2007-08. Silver production is expected to increase alongside zinc and lead, over the five years to 2017-18 as a result of higher output and expected weakening of the Australian dollar¹⁵.

Most of the silver mined in Australia is exported in the form of concentrates. The combined revenue of the silver, lead and zinc industry is expected to total \$5.25 billion in 2011-12, compared with \$7.87 billion in 2006-07 (an annualised decrease of 7.8%). The decline reflects the decline in high zinc prices, partially offset by the rise in silver prices. Industry revenue is expected to improve over the five years to 2016-17 at an annualised rate of 5.4% per annum, reaching \$6.83 billion in 2016-17, as a result of strengthening zinc prices and expected weakening of the Australian dollar against the US dollar¹⁶.

Silver Price

Silver prices are quoted by Commodity Exchange, Inc. ("COMEX"), a division of the New York Mercantile Exchange. Silver prices (as well as other commodities) are priced in US dollars. Therefore, the revenues of industry participants in Australia are exposed to the volatility in exchange rates, in addition to silver prices.

¹¹ Australian Government, GeoScience Australia, Australia's Identified Mineral Resource 2011.

¹² the sum of measured and/or indicated resources, which at the time of determination, profitable extraction or production under defined investment assumptions has been established, analytically demonstrated, or assumed with reasonable certainty.

¹³ Australian Government, GeoScience Australia, Australia's Identified Mineral Resource 2011.

¹⁴ Australian Government, GeoScience Australia, Australia's Identified Mineral Resource 2011.

¹⁵ IBISWorld Industry Report B1317 – Silver, Lead and Zinc Ore Mining in Australia, December 2012.

¹⁶ IBISWorld Industry Report B1314 – Silver, Lead and Zinc Ore Mining in Australia, December 2012.

The historical silver prices as quoted on the COMEX are set out below.



Source: Capital IQ

Chart 4: Historical COMEX Silver Prices

Silver prices have experienced a rising trend especially in 2010 and the first half of 2011 due to increased investment in silver as a store of value, as well as an industrial metal¹⁷. Silver prices were volatile in the second half of 2011 and in 2012, fluctuating between a high of \$48.6 in May 2011 to a low of \$26.3 in June 2012. Silver prices displayed an increasing trend during the second half of 2012 and early 2013, before falling to a low of US\$23.4 on 15 April 2013. Silver prices have since rallied slightly, closing at US\$23.9 per troy oz as at 8 May 2013¹⁸.

¹⁷ IBISWorld Industry Report B1314 – Silver, Lead and Zinc Ore Mining in Australia, May 2012

¹⁸ Capital IQ

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Appendix 6 – Independent Valuation Reports

**Independent Valuation of the Mineral Projects Held by MRG Metals Ltd in Western Australia and
Independent Valuation of the Mineral Projects Held by Sasak Resources Australia Pty Ltd**

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Malcolm Castle
Agricola Mining Consultants Pty Ltd
P.O. Box 473, South Perth, WA 6951
Phone: 61 (8) 9474 9351
Mobile: 61 (4) 1234 7511
Email: mcastle@castleconsulting.com.au
ABN: 84 274 218 871

7 April 2013

The Directors,

RSM Bird Cameron Corporate Pty Ltd
PO Box 248, Collins Street West,
VIC 3000

Dear Sirs,

Re: INDEPENDENT VALUATION OF THE MINERAL PROJECTS HELD BY MRG METALS LTD

in WESTERN AUSTRALIA

I have been commissioned by RSM Bird Cameron Corporate Pty Ltd ("RSM") to assist in the preparation of an Independent Expert's Report ("IER") by providing a Valuation Report on the projects held by MRG Metals Limited ("MRG").

RSM Bird Cameron Corporate Pty Ltd ("RSM") has been engaged by the Directors of MRG to prepare an Independent Expert's Report ("IER") in relation to the proposed acquisition of Sasak Resources Pty Ltd ("Sasak") by MRG. RSM is to prepare an IER stating whether, in the expert's opinion, the proposed transaction is fair and reasonable to the non-associated shareholders. In order to complete the IER, RSM requires an independent technical assessment and valuation of both MRG's and Sasak's exploration tenements ("the Valuation Reports").

The Projects

The Kalgoorlie East Project comprises 15 prospecting licences covering over 1,700 hectares, located just 10km east of Kalgoorlie in Western Australia. MRG has undertaken considerable exploration over the project area, directed to multiple commodities including gold, silver, nickel and base metals.

MRG is farming into the Collie South Coal Project, which lies 40 kilometres south east of the town of Collie, the hub for electricity generating centre for the southwest of WA. The Collie tenement covers 33km of strike directly south of the main Collie coal bearing basin and ground surrounding the western Wilga Basin.

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MRG's wholly owned Xanadu Project lies 38 kilometres south east of Paraburdoo in the Pilbara Region of Western Australia. It shares many characteristics of Northern Star Resources Ltd adjacent Ashburton Project (Mount Olympus), which lies 5 kilometres the northwest.

The Fraser Range Project lies 100 kilometres east south east of Norseman and approximately 60 kilometres due south of the Eyre Highway and comprises five Exploration licence applications, E63/1552, E63/1553, E63/1629, E63/1630 & E63/1631. Recent advice from the Department of Minerals and Petroleum is that grant of E63/1552 & E63/1553 is due during early 2013. Three additional areas, E63/1629, E63/1630 & E63/1631 were applied for in early March 2013 and are being assessed by the Department of Minerals & Petroleum.

The Braemore project lies 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.

The present status of the tenements listed in this report is based on information provided by MRG and is set out in the Tenement Schedule. The Report has been prepared on the assumption that the tenements are lawfully accessible for evaluation.

DECLARATIONS

Relevant codes and guidelines

This Report has been prepared as a technical assessment in accordance with the “Code for Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports” (the “VALMIN Code”) effective 2005, which is binding upon Members of the Australasian Institute of Mining and Metallurgy (“AusIMM”) and the Australian Institute of Geoscientists (“AIG”), as well as the rules and guidelines issued by the ASIC and the ASX Limited (“ASX”) which pertain to Independent Expert Reports (Regulatory Guides RG111 and RG112).

Where and if mineral resources have been referred to in this Report, the classifications are consistent with the “Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves” (the “JORC Code”), prepared by the Joint Ore Reserves Committee of the AusIMM, the AIG and the Minerals Council of Australia, effective December 2012.

Under the definition provided by the ASX and the VALMIN Code, the Projects are classified as ‘exploration projects’, which is inherently speculative in nature. The Project is considered to be sufficiently prospective, subject to varying degrees of risk, to warrant further exploration and development of their economic potential, consistent with the exploration and development program proposed by MRG.

Sources of Information

The statements and opinion contained in this Report are given in good faith and this Report is based

on information provided by the title holders, along with technical reports prepared by consultants, previous tenements holders and other relevant published and unpublished data for the area. I have endeavoured, by making all reasonable enquiries, to confirm the authenticity, accuracy and completeness of the technical data upon which this Report is based.

In compiling this Report, I did not carry out a site visit to the Project area. Based on my professional knowledge and experience, earlier visits within Western Australia and Queensland, the availability of extensive databases and technical reports made available by various Government Agencies, I considered that sufficient current information was available to allow an informed appraisal to be made without such a visit.

This Report has been compiled based on information available up to and including the date of this Report. Consent has been given for the distribution of this Report in the form and context in which it appears. I have no reason to doubt the authenticity or substance of the information provided.

This Report may contain statements attributable to third persons. These statements are made in, or based on statements made in previous geological reports that are publicly available from either a government department or the ASX. The authors of these previous reports have not consented to the statements' use in this Report, and these statements are included in accordance with ASIC Class Order [CO 07/428] Consent to quote: *Citing trading data and geological reports in disclosure documents and PDS.*

Qualifications and Experience

The person responsible for the preparation of this Report is:

Malcolm Castle, B.Sc. (Hons), GCertAppFin (Sec Inst), MAusIMM.

Malcolm Castle has over 40 years' experience in exploration geology and property evaluation, working for major companies for 20 years as an exploration geologist. He established a consulting company 20 years ago and specializes in exploration management, technical audit, due diligence and property valuation at all stages of development. He has wide experience in a number of commodities including gold, base metals, iron ore and mineral sands. He has been responsible for project discovery through to feasibility study in Australia, Fiji, Southern Africa and Indonesia and technical audits in many countries.

Mr Castle completed studies in Applied Geology with the University of New South Wales in 1965 and has been awarded a B.Sc. (Hons) degree. He has completed postgraduate studies with the Securities Institute of Australia in 2001 and has been awarded a Graduate Certificate in Applied Finance and Investment in 2004.

Competent Persons Statement

The information in this Independent Valuation Report that relates to Exploration Targets, Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by

Malcolm Castle, a competent person who is a Member of the Australasian Institute of Mining and Metallurgy (“AusIMM”). Mr Castle is a consultant geologist employed by Agricola Mining Consultants Pty Ltd. Mr Castle has sufficient experience that is relevant to the style of mineralisation and type of deposits under consideration and to the activity being undertaken 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” (JORC code). Mr Castle consents to the inclusion in this Report of the matters based on his information in the form and context in which it appears.

Independence

I am not, nor intend to be a director, officer or other direct employee of MRG or Sasak and have no material interest in the Projects or MRG or Sasak. The relationship with MRG and Sasak is solely one of professional association between client and independent consultant. The review work and this Report are prepared in return for professional fees based upon agreed commercial rates and the payment of these fees is in no way contingent on the results of this Report.

Yours faithfully



Malcolm Castle
B.Sc.(Hons), MAusIMM,
GCertAppFin (Sec Inst)

TENEMENT SCHEDULE

MRGM - MRG METALS FULL TENEMENT LIST AS AT 25th FEBRUARY 2013, Updated to 1 April 2013

| Tenement Type & Number | Location / Project | Holder | Date Granted | Date Expiry | Status | Application Date | Area - Blocks | Units | km ² | Annual Expenditure | Annual Rent | Comments |
|--------------------------------|--------------------|--------|--------------|-------------|---------|------------------|---------------|-------|-----------------|--------------------|-------------|-------------|
| Kalgoorlie East Project | | | | | | | | | | | | |
| P26/3596 | KALGOORLIE EAST | MALA | 9/07/2008 | 8/07/2016 | Granted | 9/02/2007 | 133 | HA | 1.33 | \$5,320.00 | \$299.25 | IRCO CAVEAT |
| P26/3597 | KALGOORLIE EAST | MALA | 9/07/2008 | 8/07/2016 | Granted | 9/02/2007 | 175 | HA | 1.75 | \$7,000.00 | \$393.75 | IRCO CAVEAT |
| P26/3598 | KALGOORLIE EAST | MALA | 9/07/2008 | 8/07/2016 | Granted | 9/02/2007 | 114 | HA | 1.14 | \$4,560.00 | \$256.50 | IRCO CAVEAT |
| P26/3599 | KALGOORLIE EAST | MALA | 9/07/2008 | 8/07/2016 | Granted | 9/02/2007 | 122 | HA | 1.22 | \$4,880.00 | \$274.50 | IRCO CAVEAT |
| P26/3600 | KALGOORLIE EAST | MALA | 9/07/2008 | 8/07/2016 | Granted | 9/02/2007 | 199 | HA | 1.99 | \$7,960.00 | \$447.75 | IRCO CAVEAT |
| P26/3601 | KALGOORLIE EAST | MALA | 9/07/2008 | 8/07/2016 | Granted | 9/02/2007 | 120 | HA | 1.20 | \$4,800.00 | \$270.00 | IRCO CAVEAT |
| P26/3602 | KALGOORLIE EAST | MALA | 9/07/2008 | 8/07/2016 | Granted | 9/02/2007 | 112 | HA | 1.12 | \$4,480.00 | \$252.00 | IRCO CAVEAT |
| P26/3603 | KALGOORLIE EAST | MALA | 9/07/2008 | 8/07/2016 | Granted | 9/02/2007 | 116 | HA | 1.16 | \$4,640.00 | \$261.00 | IRCO CAVEAT |
| P26/3604 | KALGOORLIE EAST | MALA | 9/07/2008 | 8/07/2016 | Granted | 9/02/2007 | 114 | HA | 1.14 | \$4,560.00 | \$256.50 | IRCO CAVEAT |
| P26/3605 | KALGOORLIE EAST | MALA | 9/07/2008 | 8/07/2016 | Granted | 9/02/2007 | 121 | HA | 1.21 | \$4,840.00 | \$272.25 | IRCO CAVEAT |
| P26/3606 | KALGOORLIE EAST | MALA | 9/07/2008 | 8/07/2016 | Granted | 9/02/2007 | 167 | HA | 1.67 | \$6,680.00 | \$375.75 | IRCO CAVEAT |
| P26/3693 | KALGOORLIE EAST | MALA | 11/12/2009 | 10/12/2013 | Granted | 29/11/2008 | 97 | HA | 0.97 | \$3,880.00 | \$218.25 | IRCO CAVEAT |
| P26/3694 | KALGOORLIE EAST | MALA | 11/12/2009 | 10/12/2013 | Granted | 29/11/2008 | 108 | HA | 1.08 | \$4,320.00 | \$243.00 | IRCO CAVEAT |
| Xanadu Project | | | | | | | | | | | | |
| P52/1366 | XANADU | MRGA | 12/05/2011 | 11/05/2015 | Granted | 6/03/2010 | 185 | HA | 1.85 | \$7,400.00 | \$416.25 | |
| P52/1367 | XANADU | MRGA | 12/05/2011 | 11/05/2015 | Granted | 6/03/2010 | 193 | HA | 1.93 | \$7,720.00 | \$434.25 | |
| P52/1368 | XANADU | MRGA | 12/05/2011 | 11/05/2015 | Granted | 6/03/2010 | 177 | HA | 1.77 | \$7,080.00 | \$398.25 | |
| P52/1369 | XANADU | MRGA | 12/05/2011 | 11/05/2015 | Granted | 6/03/2010 | 164 | HA | 1.64 | \$6,560.00 | \$369.00 | |
| P52/1372 | XANADU | MRGA | 15/02/2011 | 14/02/2015 | Granted | 23/04/2010 | 188 | HA | 1.88 | \$7,520.00 | \$423.00 | |
| P52/1373 | XANADU | MRGA | 15/02/2011 | 14/02/2015 | Granted | 23/04/2010 | 192 | HA | 1.92 | \$7,680.00 | \$432.00 | |
| P52/1374 | XANADU | MRGA | 15/02/2011 | 14/02/2015 | Granted | 23/04/2010 | 197 | HA | 1.97 | \$7,880.00 | \$443.25 | |
| P52/1375 | XANADU | MRGA | 15/02/2011 | 14/02/2015 | Granted | 23/04/2010 | 199 | HA | 1.99 | \$7,960.00 | \$447.75 | |
| P52/1376 | XANADU | MRGA | 15/02/2011 | 14/02/2015 | Granted | 23/04/2010 | 200 | HA | 2.00 | \$8,000.00 | \$450.00 | |
| P52/1377 | XANADU | MRGA | 15/02/2011 | 14/02/2015 | Granted | 23/04/2010 | 199 | HA | 1.99 | \$7,960.00 | \$447.75 | |
| P52/1378 | XANADU | MRGA | 15/02/2011 | 14/02/2015 | Granted | 23/04/2010 | 202 | HA | 2.02 | \$8,080.00 | \$454.50 | |

| | | | | | | | | | | | | |
|-----------------------------|--------------|------|------------|------------|---------|------------|-----|----|--------|--------------|-------------|---------------------------------|
| P52/1379 | XANADU | MRGA | 15/02/2011 | 14/02/2015 | Granted | 23/04/2010 | 202 | HA | 2.02 | \$8,080.00 | \$454.50 | |
| P52/1380 | XANADU | MRGA | 15/02/2011 | 14/02/2015 | Granted | 23/04/2010 | 200 | HA | 2 | \$8,000.00 | \$450.00 | |
| P52/1381 | XANADU | MRGA | 15/02/2011 | 14/02/2015 | Granted | 23/04/2010 | 197 | HA | 1.97 | \$7,880.00 | \$443.25 | |
| Collie South Project | | | | | | | | | | | | |
| E70/3331 | COLLIE SOUTH | ASPW | 27/07/2011 | 26/07/2016 | Granted | 5/11/2007 | 101 | SB | 318.15 | \$101,000.00 | \$11,786.70 | |
| Fraser Range Project | | | | | | | | | | | | |
| E63/1552 | FRASER RANGE | MRGA | | | Pending | 27/03/2012 | 80 | SB | 252.00 | \$80,000.00 | \$9,336.00 | AP 27/3/12; NT AD CLOSE 19/1/13 |
| E63/1553 | FRASER RANGE | MRGA | | | Pending | 27/03/2012 | 20 | SB | 63.00 | \$20,000.00 | \$2,334.00 | AP 27/3/12; NT AD CLOSE 19/1/13 |
| E63/1629 | FRASER RANGE | MRGA | | | Pending | 41346 | 22 | SB | 69.30 | | | |
| E63/1630 | FRASER RANGE | MRGA | | | Pending | 41346 | 3 | SB | 9.45 | | | |
| E63/1631 | FRASER RANGE | MRGA | | | Pending | 41346 | 1 | SB | 3.15 | | | |
| Balagundi Project | | | | | | | | | | | | |
| P25/1984 | BALAGUNDI | MALA | 9/07/2008 | 8/07/2016 | Granted | 9/02/2007 | 89 | HA | 0.89 | \$3,560.00 | \$200.25 | IRCO CAVEAT |
| P25/1985 | BALAGUNDI | MALA | 9/07/2008 | 8/07/2016 | Granted | 9/02/2007 | 113 | HA | 1.13 | \$4,520.00 | \$254.25 | IRCO CAVEAT |
| Braemore Project | | | | | | | | | | | | |
| P37/7765 | BRAEMORE | MRGA | 12/05/2010 | 11/05/2014 | Granted | 3/06/2009 | 200 | HA | 2.00 | \$8,000.00 | \$450.00 | |
| P37/7766 | BRAEMORE | MRGA | 12/05/2010 | 11/05/2014 | Granted | 3/06/2009 | 196 | HA | 1.96 | \$7,840.00 | \$441.00 | |
| P37/7767 | BRAEMORE | MRGA | 12/05/2010 | 11/05/2014 | Granted | 3/06/2009 | 184 | HA | 1.84 | \$7,360.00 | \$414.00 | |
| P37/7768 | BRAEMORE | MRGA | 12/05/2010 | 11/05/2014 | Granted | 3/06/2009 | 119 | HA | 1.19 | \$4,760.00 | \$267.75 | |
| P37/7769 | BRAEMORE | MRGA | 12/05/2010 | 11/05/2014 | Granted | 3/06/2009 | 200 | HA | 2.00 | \$8,000.00 | \$450.00 | |
| P37/7770 | BRAEMORE | MRGA | 12/05/2010 | 11/05/2014 | Granted | 4/06/2009 | 181 | HA | 1.81 | \$7,240.00 | \$407.25 | |
| P37/7771 | BRAEMORE | MRGA | 12/05/2010 | 11/05/2014 | Granted | 4/06/2009 | 172 | HA | 1.72 | \$6,880.00 | \$387.00 | |

Notes: MRGA - MRG Metals (Australia) Pty Ltd; ASPW - Paul Winston Askins; MALA - Malanti Pty Ltd

The tenement schedule includes all matters addressed in Paragraph 68 of the VALMIN Code (2005) that are considered to be material to the valuation.

The status of the tenement has been verified based on a recent review of the Public Enquiry Reports from the Western Australian Department of Mines and Petroleum pursuant to paragraphs 67 and 68 of the VALMIN Code. The tenements are believed to be in good standing at the date of this valuation as represented by MRG. Some future events such as the grant (or otherwise) of expenditure exemptions and plaint action may impact of the valuation and may give grounds for a reassessment.

KALGOORLIE EAST PROJECT (GOLD, NICKEL, SILVER & BASE METALS)

The Kalgoorlie East Project comprises 15 prospecting licences covering over 1,700 hectares, located just 10km east of Kalgoorlie in Western Australia. MRG has undertaken considerable exploration over the project area, directed to multiple commodities:- gold, silver, nickel & base metals.

Work to date comprises historic data review & compilation, broadly spaced soil sampling, geological mapping, rock chip sampling, detailed soil sampling, Moving Loop Transient Electro - Magnetic ('MLTEM') geophysical survey as well as Aircore drilling & Reverse Circulation drilling. The geochemical program delineated eight gold and one nickel targets, whilst the MLTEM geophysical survey identified numerous conductors, of which three have been drill tested. Exploration has provided indications of four styles of mineralisation, lateritic nickel, shear hosted gold, Nimbus style silver mineralisation and disseminated base metal mineralisation.

Lateritic nickel was detected in the northern part of the project with the best result of 5m @ 1% Ni, 0.2% Co & 0.33% Cr from 5 m down hole. The Electro Magnetic survey did not extend this far north, so the existence of any associated conductors at depth is yet untested.

Shear hosted gold occurs over a strike length of 450 metres in the western part of the project, with the best intercept being 1m @ 2.61 g/t. The structure that hosts mineralisation is still open to the north, south and at depth.

The Nimbus style silver mineralisation was originally detected when drilling gold in soil anomalies south west of Boorara. Hole number KE047 terminated at 61 metres down hole in a quartz veined volcanoclastic rock with a silver (Ag) assay of 1 m @ 19.1 g/t. Repeat sampling returned 1m @ 88 & 69 g/t Ag. However, a RC drill hole nearby into the same rock type returned 5m @ 1.27 g/t Ag, 65m to 70m downhole. Subsequent soil sampling to the south showed that anomalism continued in this direction. This southern soil anomaly was drill tested in mid November 2012 with the best result of 5m @ 1.59 g/t Ag.

Base metal mineralisation was discovered while exploring for nickel sulphides. The MLTEM survey found a number of conductive features suggestive of nickel sulphide accumulations. Three of these conductors (C1, C4 & C7) have now been drilled. Drilling has revealed that these conductive features are pyritic graphitic black shales. Low tenor zinc and copper mineralisation occurs in association with the shales in conductors C1, C4 & C7. The average values are 0.38% Zn & 0.09% Cu over the full

width of the black shales (C1 & C4), with higher grade intervals up to 1.5% Zn & 0.2% Cu. The results of C7 were of a lower tenor.



Figure 1: Kalgoorlie East Project. Tenements Overlain on Satellite Image

Signs of mineralisation have been discovered in several distinct deposit styles over the whole tenement package. Further exploration will seek indications of a large mineralised system as many other geophysical and geochemical remain to be tested, including nickel mineralisation in the north of the project area.

COLLIE SOUTH PROJECT (THERMAL COAL)

MRG is farming into the Collie South Coal Project and has earned an equity of 30%, which lies 40 kilometres south east of the town of Collie, the hub for electricity generating centre for the southwest of WA. The Collie tenement covers 33km of strike directly south of the main Collie coal

bearing basin and ground surrounding the western Wilga Basin. Two operating coal mines within the Collie Basin currently supply thermal coal for power generation for the southwest of Western Australia. The Operators of these mines are currently investigating the export potential of Coal from this region.

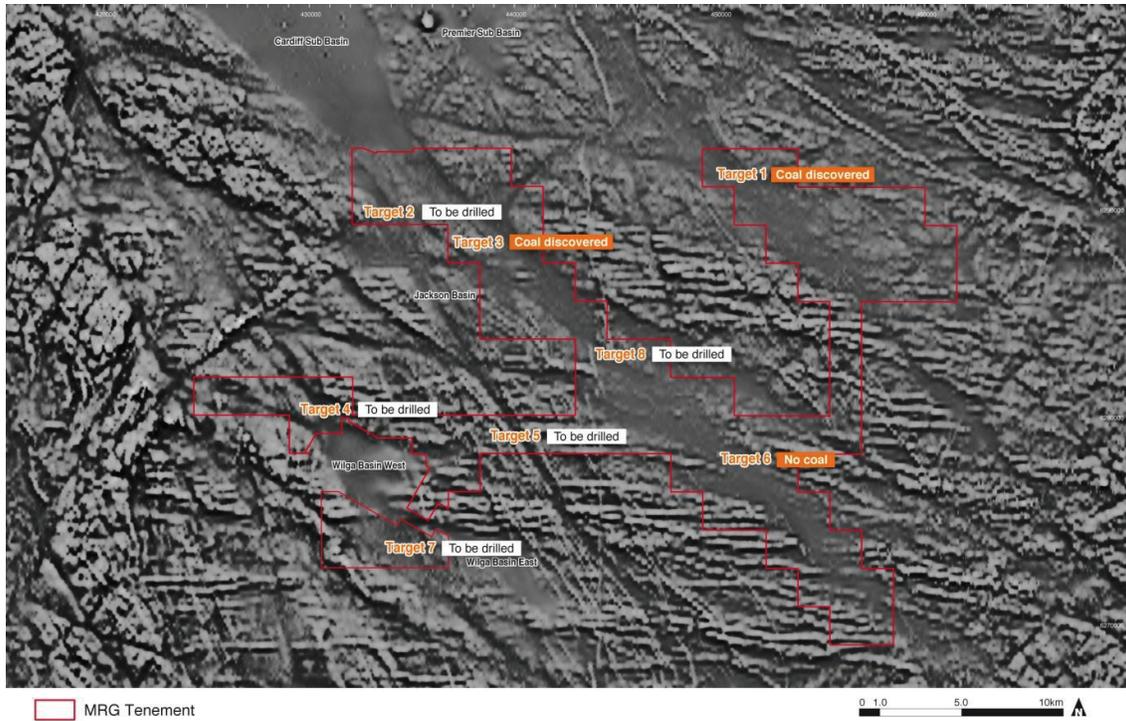


Figure 2: Collie Project: Location of Target Areas

Coal is known to occur in 3 basins, these are the Collie Basin, Wilga Basin and the Boyup Basin. Each coal bearing basin occurs as discrete North West oriented areas of Palaeozoic / Mesozoic rocks within the Archaean granite - gneiss basement. MRG's licence covers the projected extensions of these Palaeozoic basins as indicated by geophysical data.

Following a comprehensive literature review and compilation of past exploration work, MRG tested by Aircore drilling three of eight target areas. A single coal seam 3 to 5 metres thick lying under 10 to 12 metres of overburden was discovered, demonstrating proof of concept at two of the three site drilled to date. Based on the geometry of the targets, any coal bearing basin would be of a similar order of magnitude as Wilga deposit, i.e. around 250 million tonnes. Drilling has revealed that faulting parallel to the basin margins has uplifted most of the coal bearing seams, which have subsequently eroded away, but remnant coal is preserved in down faulted sub basins with little overburden.

XANADU PROJECT (GOLD)

MRG's wholly owned Xanadu project lies 38 kilometres south east of Paraburdoo in the Pilbara Region of Western Australia. It shares many characteristics of Northern Star Resources Ltd adjacent

Ashburton Project (Mount Olympus), which lies 5 kilometres the northwest. Xanadu comprises 14 Prospecting Licences covering northwest trending zone of Proterozoic sediments and carbonates within the Ashburton Basin and is prospective for Carlin-style gold mineralisation.

Recent work by the Geological Survey of WA has led to a better understanding of the mechanisms controlling the geological framework and mineralising fluid conduits in the Ashburton Basin.

A deep seismic profile across the Basin and adjacent Pilbara Craton reveals that a major regional feature, known as the Nanjilgardy Fault, is the bounding structure between these two geological terranes and this Fault penetrates through the crust into the mantle. It is the likely major conduit for mineralisation on the north east Basin margin. Mineralisation is focused in a corridor on the margins of the Fault.

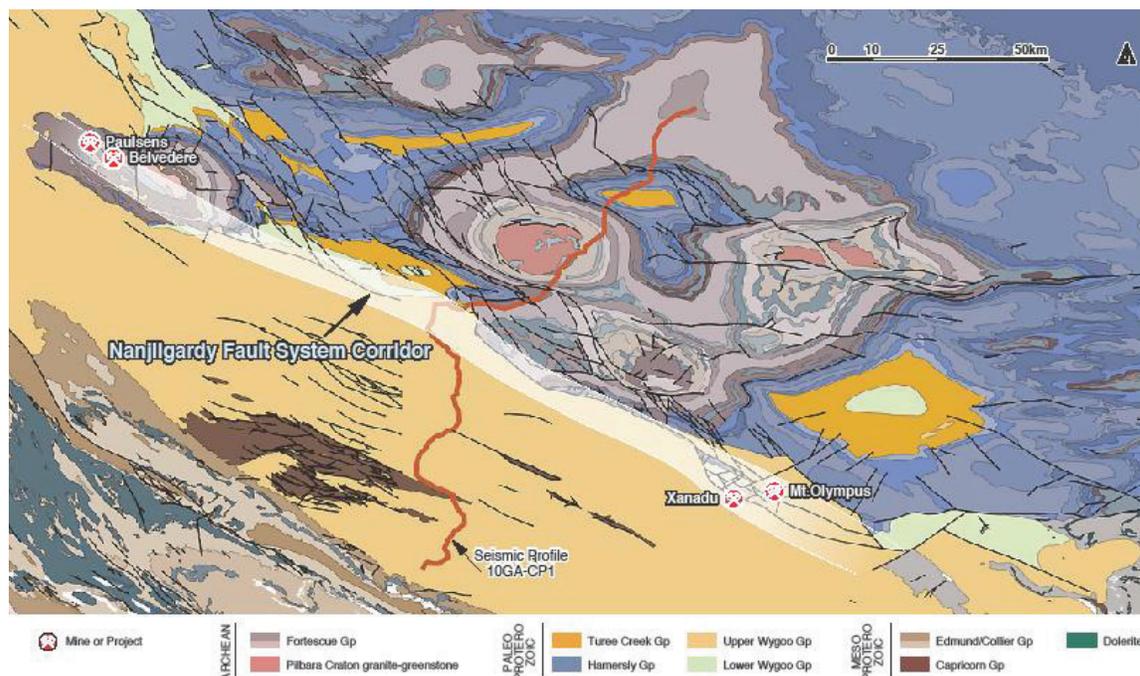


Figure 3: Xanadu Project – Geological Setting and Mineral Deposits

Northern Star Resources' (NST) Paulsen's mine and Belvedere deposit lie at the north-western end of this 200 kilometre long corridor and NST's Mount Olympus and MRG's Xanadu deposit lie on the south-eastern end. This 200km corridor is highly prospective yet lightly explored and MRG's tenements cover a 12 kilometre strike of the prospective zone.

FRASER RANGE PROJECT (GOLD)

The project lies 100 kilometres east south east of Norseman and approximately 60 kilometres due south of the Eyre Highway and comprises five Exploration licence applications. Two of these, E63/1552 & E63/1553 were applied for on 27 March 2012. Recent advice from the Department of Minerals and Petroleum is that grant of these two licences is due during early 2013. MRG applied for three additional licences, E63/1629, E63/1630 & E63/1631 in early March 2013 to extend the

ground holding in the Fraser Range. These new applications are currently being assessed by the Department of Minerals & Petroleum.

The MRG licences are 400km southwest of the Tropicana +5 million ounce gold discovery and 80km southwest of the recent Nova nickel-copper discovery by Sirius Resources. 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 licences are within the southern portion of the Biranup zone of the Albany Fraser Orogen, similar to Tropicana and cover metamorphosed granitoids, mafic volcanics and sediments as well as small inliers of Archaean aged rocks.

BRAEMORE PROJECT (GOLD & BASE METALS)

The Braemore project lies 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.

Between 1993 and 1997, gold exploration was progressed over the area which now incorporates the northern part of the Braemore Project. A programme of geological mapping, rock chip sampling and gridding was undertaken and a soil geochemical survey was conducted over northern portions of the area where surficial cover prevails.

The soil sampling programme led to the collection of 632 samples as 25 metre composites along lines spaced 200 metres apart, and identified a number of northerly trending coincident Au-As anomalies. Follow up shallow RAB drilling programmes totalling 89 holes for 3491 metres tested areas of interest. Approximately 60% of the drill holes were sampled as 4 metre composites. The remaining drill holes were sampled over the bottom 4 metres of each hole. All samples were assayed for gold and approximately half the drill hole samples were analysed for an additional suite of elements.

Two significant intersections were returned from the RAB drilling that now falls within the Braemore Project area. A result of 4m @ 2.0 g/t from 3m was received from SWR770 and 4m @ 0.25 g/t from 36m from SWR733. These intercepts are proximal to previously defined gold-arsenic ("Au-As") soil anomalism and a northerly trending shear zone observable on magnetics. Both are open along strike.

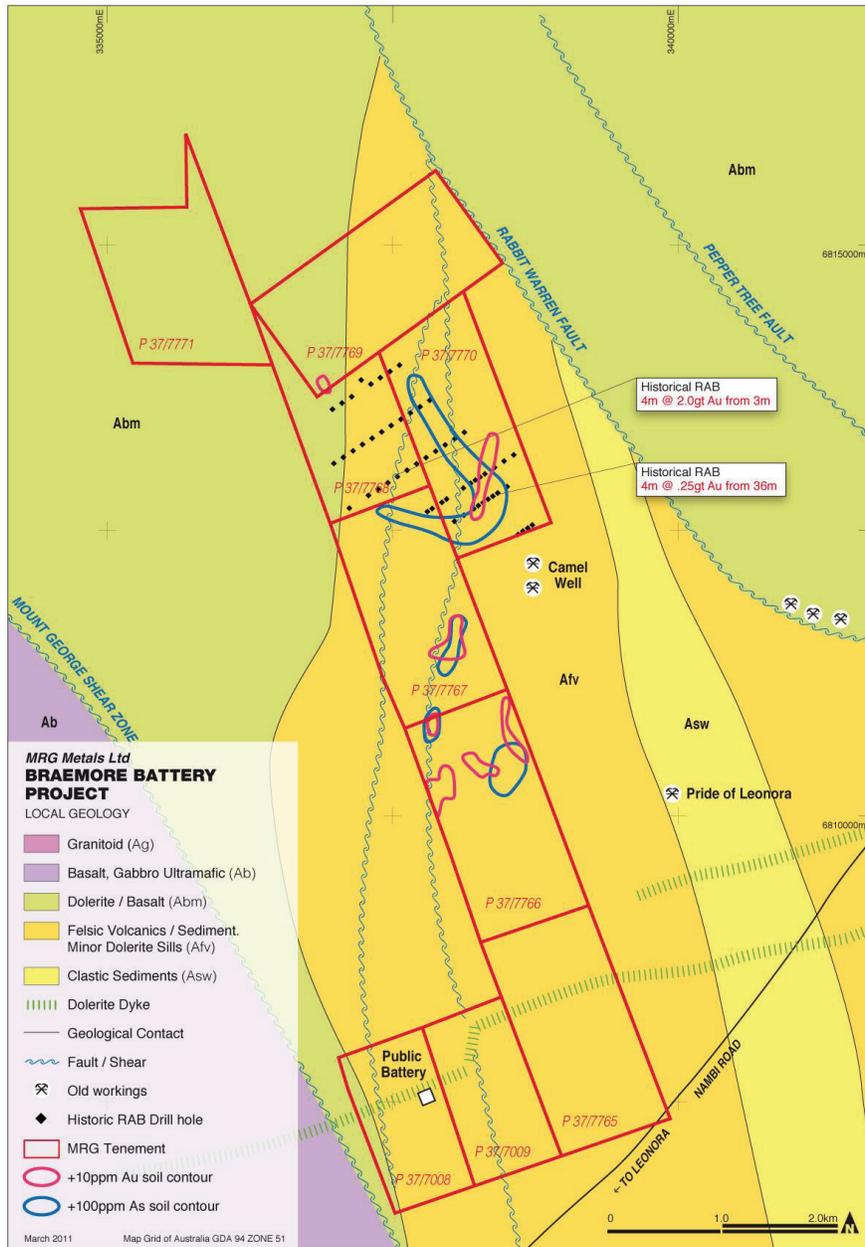


Figure 4: Braemore Project – Geology, Targets and Tenements

VALUATION ASSESSMENT

The MRG tenement portfolio is considered to have value as an Exploration Project with substantial encouragement from remote sensing and desktop review. Several methods of valuation are available for such projects where a Mineral Resource has not yet been estimated in accordance with the JORC code. These include the use of valuations based on past exploration expenditure and valuations based on perceived prospectivity.

Exploration projects can be extremely variable and the use of comparable transactions is unlikely to produce a statistical spread of values for “similar” projects. This method can be used where a Mineral Resource has been estimated. The *Prospectivity Exploration Multiplier (PEM)* is based on past expenditure while the Kilburn Geoscience Rating (*Geo-factor Rating*) is based on opinions of the prospectivity hence tenements can have marked variation in value between the methods.

The ‘Geo-factor Rating’ method of valuation for exploration tenements is the preferred valuation method for MRG’s current tenements as it focuses on the future prospectivity of the area.

The Geo-factor Rating method systematically assesses and grades four key technical attributes of a tenement to arrive at a series of multiplier factors. The Basic Acquisition Cost (BAC) is the important input to the method and it is calculated by summing the application fees, annual rent, work required to facilitate granting (e.g. native title, environment etc.) and statutory expenditure for a period of 12 months. This is usually expressed as average expenditure per square kilometre. Equity and grant status are also taken into account. Each factor is then multiplied serially to the BAC. The ‘Base Value’ is multiplied by the prospectivity rating (the assessment of prospectivity factors multiplied together) to establish the overall technical value of each mineral property.

Where exploration has produced documented results a PEM can be derived which takes into account the valuer’s judgment of the success of the previous exploration techniques and results.

Paragraph 65 of RG 111 discusses a preference for the use of more than one valuation methodology. In the absence of a resource estimate in accordance with the JORC code an alternative method to the Geo-factor Rating method might consider past expenditure on the tenements and the uplift of value provided by encouraging result.

Past expenditures for MRG’s current tenements are not available from all the previous explorers of the same ground over the duration of modern exploration and reliance is mainly placed on the Geo-factor method.

GEO-FACTOR RATING METHOD

BASE VALUE

This represents the exploration cost for the current period of the tenements. The current Base Acquisition Cost (BAC) for exploration projects is considered to be the average expenditure for the first year of the licence tenure. Exploration Licences in Western Australia, for example, attract a minimum annual expenditure for the first three years of \$1,000 per block and annual rent of \$113.50. A 15% administration fee is taken into account to imply a BAC of \$400 to \$450 per square kilometre. A similar approach based on expenditure commitments is taken for Prospecting Licences and Mining Leases.

| Licence Type | Expenditure | Rent | Admin | Total | \$/km ² | BAC - Low | BAC - High |
|--------------------------------------|-------------|--------|--------|----------|--------------------|-----------|------------|
| Exploration Licence (E, \$/block) | 1000 | 113.50 | 167.03 | 1,280.53 | 413 | 400 | 450 |
| Prospecting Licences (P, \$/Ha) | 40.00 | 2.20 | 6.33 | 48.53 | 4,853 | 5,000 | 5,500 |
| Mining Lease (M, \$/Ha) | 100.00 | 15.00 | 17.25 | 132.25 | 13,225 | 13,000 | 14,000 |

MRG has equity as shown in the table in the tenements. A 40% discount is applied to applications (Grant Factor).

$$\text{Base Value} = [\text{Area}] * [\text{Grant Factor}] * [\text{Equity}] * [\text{Base Acquisition Cost}]$$

| MRG Metals Ltd | | | | |
|-------------------------|--------|-----------------|---------|-------|
| Tenement Factors | | | | |
| Project | Equity | Km ² | Status | Grant |
| Kalgoorlie East Project | | | | |
| P26/3596 | 100% | 1.33 | Granted | 100% |
| P26/3597 | 100% | 1.75 | Granted | 100% |
| P26/3598 | 100% | 1.14 | Granted | 100% |
| P26/3599 | 100% | 1.22 | Granted | 100% |
| P26/3600 | 100% | 1.99 | Granted | 100% |
| P26/3601 | 100% | 1.20 | Granted | 100% |
| P26/3602 | 100% | 1.12 | Granted | 100% |
| P26/3603 | 100% | 1.16 | Granted | 100% |
| P26/3604 | 100% | 1.14 | Granted | 100% |
| P26/3605 | 100% | 1.21 | Granted | 100% |
| P26/3606 | 100% | 1.67 | Granted | 100% |
| P26/3693 | 100% | 0.97 | Granted | 100% |
| P26/3694 | 100% | 1.08 | Granted | 100% |
| Xanadu Project | | | | |
| P52/1366 | 100% | 1.85 | Granted | 100% |
| P52/1367 | 100% | 1.93 | Granted | 100% |
| P52/1368 | 100% | 1.77 | Granted | 100% |
| P52/1369 | 100% | 1.64 | Granted | 100% |
| P52/1372 | 100% | 1.88 | Granted | 100% |
| P52/1373 | 100% | 1.92 | Granted | 100% |
| P52/1374 | 100% | 1.97 | Granted | 100% |
| P52/1375 | 100% | 1.99 | Granted | 100% |
| P52/1376 | 100% | 2.00 | Granted | 100% |
| P52/1377 | 100% | 1.99 | Granted | 100% |
| P52/1378 | 100% | 2.02 | Granted | 100% |
| P52/1379 | 100% | 2.02 | Granted | 100% |
| P52/1380 | 100% | 2.00 | Granted | 100% |
| P52/1381 | 100% | 1.97 | Granted | 100% |
| Collie South Project | | | | |
| E70/3331 | 30% | 318.15 | Granted | 100% |
| Fraser Range Project | | | | |
| E63/1552 | 100% | 252.00 | Pending | 60% |

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| | | | | |
|-------------------|------|--------|---------|------|
| E63/1553 | 100% | 63.00 | Pending | 60% |
| E63/1629 | 100% | 69.30 | Pending | 60% |
| E63/1630 | 100% | 9.45 | Pending | 60% |
| E63/1631 | 100% | 3.15 | Pending | 60% |
| Balagundi Project | | | | |
| P25/1984 | 100% | 0.89 | Granted | 100% |
| P25/1985 | 100% | 1.13 | Granted | 100% |
| Braemore Project | | | | |
| P37/7765 | 100% | 2.00 | Granted | 100% |
| P37/7766 | 100% | 1.96 | Granted | 100% |
| P37/7767 | 100% | 1.84 | Granted | 100% |
| P37/7768 | 100% | 1.19 | Granted | 100% |
| P37/7769 | 100% | 2.00 | Granted | 100% |
| P37/7770 | 100% | 1.81 | Granted | 100% |
| P37/7771 | 100% | 1.72 | Granted | 100% |
| | | 773.52 | | |

PROSPECTIVITY ASSESSMENT FACTORS

An assessment of the prospectivity of tenements was carried out. This includes a consideration of

- Regional mineralization, old and current workings and the validity of conceptual models.
- Local mineralization within the tenements and the application of conceptual models within the tenements.
- Identified anomalies warranting follow up within the tenements.
- The proportion of structural and lithological settings within the tenements and difficulty encountered by cover rocks and other factors.

| KILBURN RATING CRITERIA - SIMPLIFIED | | | | |
|--------------------------------------|--|---|--|--|
| Rating | Off Site Factor | On Site Factor | Anomaly Factor | Geological Factor |
| 1 | Indications of Prospectivity | Indications of Prospectivity | No targets outlined | Generally favourable geological environment |
| 2 | Resource targets Identified | Targets identified with successful early drilling | Exposure of mineralised zones or surface drilling (RAB) | Generally favourable lithology with structures or exposures of mineralised zones |
| 3 | Along Strike or adjacent to known mineralization | Grade intercepts on adjacent sections - Exploration Targets Estimated from sound evidence | Significant grade intercepts not yet linked on cross and long sections | Significant mineralised zones exposed in prospective host rocks |

Assessments in each category are based on a set scale (see above and Appendix) and multiplied together to arrive at a “prospectivity index”.

$$\text{Prospectivity Index} = [\text{Off Site Factor}] * [\text{On Site Factor}] * [\text{Anomaly Factor}] * [\text{Geology Factor}]$$

| Exploration Licence Prospectivity Factors Tenement | Off Site | | On Site | | Anomaly | | Geology | |
|--|-------------------------|------|---------|------|---------|------|---------|------|
| | Low | High | Low | High | Low | High | Low | High |
| | Kalgoorlie East Project | 1.40 | 1.45 | 1.90 | 1.95 | 1.75 | 1.80 | 1.50 |
| Xanadu Project | 2.50 | 2.55 | 2.50 | 2.55 | 2.50 | 2.55 | 1.50 | 1.55 |
| Collie South Project | 2.25 | 2.30 | 1.75 | 1.80 | 1.25 | 1.30 | 1.25 | 1.30 |
| Fraser Range Project | 1.75 | 1.80 | 1.20 | 1.25 | 1.15 | 1.20 | 1.25 | 1.30 |
| Balagundi Project | 1.25 | 1.30 | 1.50 | 1.55 | 1.75 | 1.80 | 1.50 | 1.55 |
| Braemore Project | 1.25 | 1.30 | 1.50 | 1.55 | 1.75 | 1.80 | 1.50 | 1.55 |

TECHNICAL VALUE

An estimate of technical value has been compiled for the tenements based on the base acquisition cost, area, grant status, equity and ratings for prospectivity.

$$\text{Technical Value} = [\text{Base Value}] * [\text{Prospectivity Index}]$$

| MRG Metals Ltd | Technical Value, \$m | | |
|-------------------------|----------------------|-----------|-----------|
| | Low | High | Preferred |
| Kalgoorlie East Project | 597,000 | 740,000 | 668,500 |
| Xanadu Project | 3,165,000 | 3,803,000 | 3,484,000 |
| Collie South Project | 235,000 | 301,000 | 268,000 |
| Fraser Range Project | 361,000 | 466,000 | 413,500 |
| Balagundi Project | 53,000 | 66,000 | 59,500 |
| Braemore Project | 308,000 | 388,000 | 348,000 |
| | 4,719,000 | 5,764,000 | 5,241,500 |

See Appendix 1 for Individual Tenements

MARKET VALUE

In arriving at a fair market value for a particular exploration tenement, consideration is given to the current market for exploration properties in Australia and overseas. It is considered appropriate to apply a market premium to the technical value of the exploration potential of the tenements.

I have considered the Country risk and current market for exploration properties in Australia. An assessment of country risk and an assessment of the Business Climate have been provided by a specialist firm (source: www.coface.com). The rating for Australia is ‘A1’ for country risk and ‘A1’ for business climate which are considered to be low. This rating will affect the market factor in assessing market value.

The current market value for mineral projects in Australia is considered to be mildly buoyant and a market factor of **10% to 12.5%** has been applied to the technical value of the exploration projects.

The range of values is based on the Geoscientific Rating Method described above and in the Appendix. This method is considered appropriate and preferable to the alternative methods as it is based on the perceived exploration potential of the projects rather than past expenditures which is not well documented.

$$\text{Market Value} = [\text{Technical Value}] * [\text{Adjusted Market Factor}]$$

| MRG Metals Ltd | Market Value, \$m | | |
|-------------------------|-------------------|-----------|-----------|
| | Low | High | Preferred |
| Kalgoorlie East Project | 657,000 | 833,000 | 745,000 |
| Xanadu Project | 3,481,000 | 4,279,000 | 3,880,000 |
| Collie South Project | 259,000 | 339,000 | 299,000 |
| Fraser Range Project | 398,000 | 525,000 | 461,500 |
| Balagundi Project | 59,000 | 74,000 | 66,500 |
| Braemore Project | 340,000 | 438,000 | 389,000 |
| | 5,194,000 | 6,488,000 | 5,841,000 |

See Appendix 2 for Individual Tenements

EXPLORATION TENEMENTS – ALTERNATIVE VALUATION METHODS:

There is a preference for the use of more than one valuation methodology for the same tenements expressed in Paragraph 65 of Regulatory Guide 111. An alternative method to the Geo-factor Rating method might consider past expenditure on the tenements and the uplift of value provided by encouraging result indicated by the Prospectivity Enhancement Multiplier (PEM).

| PEM Range | Criteria |
|-----------|---|
| 1.0 – 1.3 | Exploration has maintained, or slightly enhanced (but not downgraded) the prospectivity |
| 1.3 – 1.5 | Exploration has considerably increased the prospectivity (geological mapping, geochemical or geophysical) |
| 1.5 – 2.0 | Scout Drilling has identified interesting intersections of mineralization |
| 2.0 – 2.5 | Detailed Drilling has defined targets with potential economic interest. |

Complete records of past expenditure for the Projects are not available from the previous explorers. The project has been extensively explored in the past with mapping, satellite imagery, geophysics, surface geochemistry and historical drilling forming part of the data base.

It is considered reasonable to suggest that the current value of these work elements would be as shown in the following table. This is considered speculative (but plausible) and the successful results of the work indicate that detailed drilling has defined targets with potential economic interest with the potential to contain medium sized deposits and small Inferred Resources may be estimated. This would attract Prospectivity Enhancement Multipliers as set out below.

The valuation is based on the **Technical value** and does not include an allowance for market factors.

| MRG Metals Ltd | | | | | | |
|--|-------------|------|------|-----------------|-----------|-----------|
| Technical Value - Prospectivity Enhancement Method | | | | | | |
| | Expenditure | PEM | | Technical Value | | |
| | | Low | High | Low | High | Preferred |
| Kalgoorlie East Project | 450,000 | 1.50 | 1.75 | 675,000 | 787,500 | 731,250 |
| Xanadu Project | 2,500,000 | 1.15 | 1.25 | 2,875,000 | 3,125,000 | 3,000,000 |
| Collie South Project | 250,000 | 1.50 | 1.75 | 375,000 | 437,500 | 406,250 |
| Fraser Range Project | 250,000 | 2.00 | 2.50 | 500,000 | 625,000 | 562,500 |
| Balagundi Project | 50,000 | 1.15 | 1.25 | 57,500 | 62,500 | 60,000 |
| Braemore Project | 200,000 | 1.15 | 1.25 | 230,000 | 250,000 | 240,000 |
| New Applications | 75,000 | 1.00 | 1.25 | 75,000 | 93,750 | 84,375 |
| | | | | 4,787,500 | 5,381,250 | 5,084,375 |

VALUATION SUMMARY

The range of values is based on the Geoscientific Rating Method described above and in the Appendix. This method is considered appropriate and preferable to the alternative methods as it is based on the perceived exploration potential of the projects rather than past expenditures which is not well documented.

The Geoscientific Rating Method (Kilburn method) is essentially a technique to define a value based on geological prospectivity. The method appraises a variety of mineral property characteristics. This is the preferred valuation method for MRG's current tenements as it focusses on the future prospectivity of the area.

The Method systematically assesses and grades these four key technical attributes of a tenement to arrive at a series of multiplier factors. The Basic Acquisition Cost (BAC) is the important input to the Kilburn Method and it is calculated by summing the annual rent, statutory expenditure for a period of 12 months and administration fees.

Based on an assessment of the factors involved I estimate the value for exploration projects to be in the range A\$5.2 million to A\$6.5 million with a preferred value of A\$5.8 million.

This valuation is effective on 7 April 2013.

APPENDIX 1 -TECHNICAL VALUE FOR INDIVIDUAL TENEMENTS

| MRG Metals Ltd | | | |
|-------------------------|-----------------------------|------------------|------------------|
| Technical Value | | | |
| Tenement | Technical Value, \$m | | |
| | Low | High | Preferred |
| Kalgoorlie East Project | | | |
| P26/3596 | 47,000 | 58,000 | 52,500 |
| P26/3597 | 61,000 | 76,000 | 68,500 |
| P26/3598 | 40,000 | 50,000 | 45,000 |
| P26/3599 | 43,000 | 53,000 | 48,000 |
| P26/3600 | 70,000 | 86,000 | 78,000 |
| P26/3601 | 42,000 | 52,000 | 47,000 |
| P26/3602 | 39,000 | 49,000 | 44,000 |
| P26/3603 | 40,000 | 50,000 | 45,000 |
| P26/3604 | 40,000 | 50,000 | 45,000 |
| P26/3605 | 43,000 | 53,000 | 48,000 |
| P26/3606 | 59,000 | 73,000 | 66,000 |
| P26/3693 | 35,000 | 43,000 | 39,000 |
| P26/3694 | 38,000 | 47,000 | 42,500 |
| Xanadu Project | | | |
| P52/1366 | 218,000 | 262,000 | 240,000 |
| P52/1367 | 227,000 | 272,000 | 249,500 |
| P52/1368 | 209,000 | 249,000 | 229,000 |
| P52/1369 | 192,000 | 231,000 | 211,500 |
| P52/1372 | 220,000 | 265,000 | 242,500 |
| P52/1373 | 225,000 | 272,000 | 248,500 |
| P52/1374 | 232,000 | 278,000 | 255,000 |
| P52/1375 | 234,000 | 280,000 | 257,000 |
| P52/1376 | 234,000 | 283,000 | 258,500 |
| P52/1377 | 234,000 | 280,000 | 257,000 |
| P52/1378 | 237,000 | 285,000 | 261,000 |
| P52/1379 | 237,000 | 285,000 | 261,000 |
| P52/1380 | 234,000 | 283,000 | 258,500 |
| P52/1381 | 232,000 | 278,000 | 255,000 |
| Collie South Project | | | |
| E70/3331 | 235,000 | 301,000 | 268,000 |
| Fraser Range Project | | | |
| E63/1552 | 183,000 | 239,000 | 211,000 |
| E63/1553 | 46,000 | 60,000 | 53,000 |
| E63/1629 | 82,000 | 105,000 | 93,500 |
| E63/1630 | 25,000 | 31,000 | 28,000 |
| E63/1631 | 25,000 | 31,000 | 28,000 |
| Balagundi Project | | | |
| P25/1984 | 25,000 | 31,000 | 28,000 |
| P25/1985 | 28,000 | 35,000 | 31,500 |
| Braemore Project | | | |
| P37/7765 | 49,000 | 62,000 | 55,500 |
| P37/7766 | 48,000 | 61,000 | 54,500 |
| P37/7767 | 45,000 | 57,000 | 51,000 |
| P37/7768 | 30,000 | 37,000 | 33,500 |
| P37/7769 | 49,000 | 62,000 | 55,500 |
| P37/7770 | 45,000 | 56,000 | 50,500 |
| P37/7771 | 42,000 | 53,000 | 47,500 |
| | 4,719,000 | 5,764,000 | 5,241,500 |

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APPENDIX 2 - MARKET VALUE FOR INDIVIDUAL TENEMENTS

| MRG Metals Ltd | | | | | |
|-------------------------|-----------------------|-------------|--------------------------|-------------|------------------|
| Market Value | | | | | |
| Tenement | Market Premium | | Market Value, \$m | | |
| | Low | High | Low | High | Preferred |
| Kalgoorlie East Project | | | | | |
| P26/3596 | 10.0% | 12.5% | 52,000 | 65,000 | 58,500 |
| P26/3597 | 10.0% | 12.5% | 67,000 | 86,000 | 76,500 |
| P26/3598 | 10.0% | 12.5% | 44,000 | 56,000 | 50,000 |
| P26/3599 | 10.0% | 12.5% | 47,000 | 60,000 | 53,500 |
| P26/3600 | 10.0% | 12.5% | 77,000 | 97,000 | 87,000 |
| P26/3601 | 10.0% | 12.5% | 46,000 | 59,000 | 52,500 |
| P26/3602 | 10.0% | 12.5% | 43,000 | 55,000 | 49,000 |
| P26/3603 | 10.0% | 12.5% | 44,000 | 56,000 | 50,000 |
| P26/3604 | 10.0% | 12.5% | 44,000 | 56,000 | 50,000 |
| P26/3605 | 10.0% | 12.5% | 47,000 | 60,000 | 53,500 |
| P26/3606 | 10.0% | 12.5% | 65,000 | 82,000 | 73,500 |
| P26/3693 | 10.0% | 12.5% | 39,000 | 48,000 | 43,500 |
| P26/3694 | 10.0% | 12.5% | 42,000 | 53,000 | 47,500 |
| Xanadu Project | | | | | |
| P52/1366 | 10.0% | 12.5% | 240,000 | 295,000 | 267,500 |
| P52/1367 | 10.0% | 12.5% | 250,000 | 306,000 | 278,000 |
| P52/1368 | 10.0% | 12.5% | 230,000 | 280,000 | 255,000 |
| P52/1369 | 10.0% | 12.5% | 211,000 | 260,000 | 235,500 |
| P52/1372 | 10.0% | 12.5% | 242,000 | 298,000 | 270,000 |
| P52/1373 | 10.0% | 12.5% | 248,000 | 306,000 | 277,000 |
| P52/1374 | 10.0% | 12.5% | 255,000 | 313,000 | 284,000 |
| P52/1375 | 10.0% | 12.5% | 257,000 | 315,000 | 286,000 |
| P52/1376 | 10.0% | 12.5% | 257,000 | 318,000 | 287,500 |
| P52/1377 | 10.0% | 12.5% | 257,000 | 315,000 | 286,000 |
| P52/1378 | 10.0% | 12.5% | 261,000 | 321,000 | 291,000 |
| P52/1379 | 10.0% | 12.5% | 261,000 | 321,000 | 291,000 |
| P52/1380 | 10.0% | 12.5% | 257,000 | 318,000 | 287,500 |
| P52/1381 | 10.0% | 12.5% | 255,000 | 313,000 | 284,000 |
| Collie South Project | | | | | |
| E70/3331 | 10.0% | 12.5% | 259,000 | 339,000 | 299,000 |
| Fraser Range Project | | | | | |
| E63/1552 | 10.0% | 12.5% | 201,000 | 269,000 | 235,000 |
| E63/1553 | 10.0% | 12.5% | 51,000 | 68,000 | 59,500 |
| E63/1629 | 10.0% | 12.5% | 90,000 | 118,000 | 104,000 |
| E63/1630 | 10.0% | 12.5% | 28,000 | 35,000 | 31,500 |
| E63/1631 | 10.0% | 12.5% | 28,000 | 35,000 | 31,500 |
| Balagundi Project | | | | | |
| P25/1984 | 10.0% | 12.5% | 28,000 | 35,000 | 31,500 |
| P25/1985 | 10.0% | 12.5% | 31,000 | 39,000 | 35,000 |
| Braemore Project | | | | | |
| P37/7765 | 10.0% | 12.5% | 54,000 | 70,000 | 62,000 |
| P37/7766 | 10.0% | 12.5% | 53,000 | 69,000 | 61,000 |
| P37/7767 | 10.0% | 12.5% | 50,000 | 64,000 | 57,000 |
| P37/7768 | 10.0% | 12.5% | 33,000 | 42,000 | 37,500 |
| P37/7769 | 10.0% | 12.5% | 54,000 | 70,000 | 62,000 |
| P37/7770 | 10.0% | 12.5% | 50,000 | 63,000 | 56,500 |
| P37/7771 | 10.0% | 12.5% | 46,000 | 60,000 | 53,000 |
| | | | 5,194,000 | 6,488,000 | 5,841,000 |

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APPENDIX 3

MINERAL ASSETS VALUATION METHODOLOGY FOR EXPLORATION TENEMENTS

FAIR MARKET VALUE OF MINERAL ASSETS

Mineral assets include, but are not limited to, mining and exploration tenements held or acquired in connection with the exploration, the development of, and the production from those tenements together with all plant, equipment and infrastructure owned or acquired for the development, extraction and processing of minerals in connection with those tenements.

| Mineral assets classification | |
|--------------------------------------|---|
| Exploration areas | Mineralization may or may not have been identified, but where a mineral resource has not been defined. |
| Advanced exploration areas | Mineral resources have been identified and their extent estimated (possibly incompletely). This includes properties at the early stage of assessment. |
| Pre-development projects | A positive development decision has not been made. This includes properties where a development decision has been negative, properties on care and maintenance and properties held on retention titles. |
| Development projects | Committed to production, but which, are not yet commissioned or not initially operating at design levels. |
| Operating Mines | Mineral properties, particularly mines and processing plants, which have been fully commissioned and are in production. |

The fair market value of a mineral asset is the estimated amount of money or the cash equivalent or some other consideration for which the mineral asset should change hands between a willing buyer and a willing seller in an arm’s length transaction. Each party is assumed to have acted knowledgeably, prudently and without compulsion.

The value of a mineral asset usually consists of two components,

- The underlying or Technical Value which is an assessment of a mineral asset’s future net economic benefit under a set of appropriate assumptions, excluding any premium or discount for market, strategic or other considerations.
- The Market Component, which is a premium relating to market, strategic or other considerations which, depending on circumstances at the time, can be either positive, negative or zero.

When the technical and market components of value are combined the resulting value is referred to as the market value. A consideration of country risk should also be taken into account for overseas projects.

The value of mineral assets is time and circumstance specific. The asset value and the market premium (or discount) changes, sometimes significantly, as overall market conditions, commodity prices, exchange rates, political and country risk change.

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REGULATORY AUTHORITIES

Mineral asset valuations are governed by the VALMIN code and ASIC Practice Note 43 in Australia and by the CIMVAL code, NI43-101 and TSXV Appendix 3G in Canada

THE VALMIN CODE

The four main requirements of the *VALMIN Code* are

Transparency The report needs to explain how the valuation was done and the assumptions used in calculating the value. The objective is to provide sufficient information that other people can come up with the same answer.

Materiality This means the valuer has to ensure that all important data that could have a significant impact on the valuation is included in the report.

Competence The valuer must be competent at doing valuations. The person needs to be an expert in the particular exploration target being evaluated. Typically the person needs at least 5 years' experience in that commodity.

Independence. The valuer must act in a professional manner and not favour the buyer or the seller. In other words the price must be set at a "fair market value". To achieve independence, the valuer must not receive any special benefit from doing the study.

The decisions as to the valuation methodology or methodologies to be used and the content of the Report are solely the responsibility of the Expert or Specialist whose decisions must not be influenced by the Commissioning Entity. The Expert or Specialist must state the reasons for selecting each methodology used in the Report. Methods chosen must be rational and logical and be based upon reasonable grounds.

The Expert or Specialist should make use of valuation methods suitable to the Mineral or Petroleum Assets or Mineral or Petroleum Securities under consideration. Selection of the appropriate valuation method will depend on, inter alia:

- (a) the purpose of the Valuation;
- (b) the development status of the Mineral or Petroleum Assets;
- (c) the amount and reliability of relevant information;
- (d) the risks involved in the venture; and
- (e) the relevant market conditions for commodities and/or shares.

The Expert or Specialist should choose, discuss and disclose the selected valuation method(s) appropriate to the Mineral or Petroleum Assets or Mineral or Petroleum Securities under consideration, stating the reasons why the particular valuation method(s) have been selected in relation to those factors set out in Paragraph 39 and to the adequacy of available data. It may also

be desirable to discuss why a particular valuation method has not been used. The disclosure should give a sufficient account of the valuation method(s) used so that another Expert could understand the procedure used and assess the Valuation. Should more than one valuation method be used and different valuations result, the Expert or Specialist should comment on the reason(s) for selecting the Value adopted.

Australian Securities and Investment Commission – Regulatory Guides RG111 and RG112

It is not the ASIC's role or intention to limit the expert's exercise of skill and judgment in selecting the most appropriate method or methods of valuation. However, it is appropriate for the expert to consider:

- (a) the discounted cash flow method;
- (b) the amount which an alternative acquirer might be willing to offer if all the securities in the target company were available for purchase;

The ASIC does not suggest that this list is exhaustive or that the expert should use all of the methods of valuation listed above. The expert should justify the choices of valuation method and give a sufficient account of the method used to enable another expert to replicate the procedure and assess the valuation. It may be appropriate for the expert to compare the figures derived by more than one method and to comment on any differences.

The complex valuations in an expert's report necessarily contain significant uncertainties. Because of this an expert who gives a single point value will usually be implying spurious accuracy to his or her valuation. An expert should, however, give as narrow a range of values as possible. An expert report becomes meaningless if the range of values is too wide. An expert should indicate the most probable point within the range of values if it is feasible to do so.

The expert should carry out sufficient enquiries or examinations to establish reasonable grounds for believing that any profit forecasts, cash flow forecasts and unaudited profit figures that are used in the expert's report, and have been prepared on a reasonable basis. If there are material variations in method or presentation the expert should adjust for or comment on them in the report.

The expert should discuss the implications to his or her valuation if:

- (a) the current market value of the subject of the report is likely to change because of market volatility (for example, boom or depression); or
- (b) the current market value differs materially from that derived by the chosen method.

VALUATION METHODOLOGY FOR EXPLORATION TENEMENTS

Valuation of exploration properties is exceptionally subjective. If an economic resource is subsequently identified then a new valuation will be dramatically higher, or alternatively if expenditure of further exploration dollars is unsuccessful then it is likely to decrease the value of the Tenements. There are a number of generally accepted procedures for establishing the value of exploration properties and, where relevant, the use of more than one such method to enable a

balanced analysis and a check on the result has been undertaken. The value will always be presented as a range with the preferred value identified. The preferred value need not be the median value, and will be determined by the Independent Expert based on his experience.

The Independent Expert, when determining a value for a mineral asset, must assess a range of technical issues prior to selection of a valuation methodology. Often this will require seeking advice from a specialist in specific areas. The key issues are:

- geological setting and style of mineralization
- level of knowledge of the geometry of mineralization in the district
- mining history, including mining methods
- location and accessibility of infrastructure
- milling and metallurgical characteristics of the mineralization
- results of exploration including geological mapping, costeaning and drilling of interpretation of geochemical anomalies
- parameters used to identify geophysical and remote sensing data anomalies
- location and style of mineralization identified on adjacent properties
- appropriate geological models

In addition to these technical issues the Independent Expert needs to make a judgement about the market demand for the type of property, commodity markets, financial markets and stock markets. The technical value of a property should not be adjusted by a “market factor” unless there is a marked discrepancy between the technical value and the market value. When this is done the factor should be clearly identified.

Where there are identified reserves it is appropriate to use financial analysis methods to estimate the net present value (NPV) of the properties. This technique has deficiencies which include assessment of only a very narrow area of risk, namely the time value of money given the real discount rate, and the underlying assumption that a static approach is applicable to investment decision making, which is clearly not the case.

When assessing value of exploration properties with no identified mineral resources or only inferred resources it is inappropriate to prepare any form of financial analysis to determine the net present value. The valuation of exploration tenements or licences, particularly those without identified resources, is highly subjective and a number of methods are appropriate to give a guide as discussed below.

All of these valuation methods are relatively independent of the location of the mineral property. Consequently the valuer will make allowance for access to infrastructure etc. when choosing a preferred value. It is observed that the Prospectivity Exploration Multiplier (PEM) is heavily based on

the expenditure, while the Kilburn Geoscience Rating (Kilburn) is more heavily based on opinions of the prospectivity hence tenements can have marked variation in value between the methods. If the Kilburn assessment is high and the PEM is low it indicates effective well focussed exploration, if the Kilburn is low and the PEM high it suggests that the tenement is considered to have lower prospectivity.

PROSPECTIVITY ENHANCEMENT MULTIPLIER (PEM) OR MULTIPLE OF EXPLORATION EXPENDITURE (MEE)

Past expenditure on a tenement and/or future committed exploration expenditure can establish a base value from which the effectiveness of exploration can be assessed. Where exploration has produced documented results a PEM can be derived which takes into account the valuer’s judgment of the prospectivity of the tenement and the value of the database.

PEM Factors Used in this valuation method

| PEM Range | Criteria |
|------------------|---|
| 0.2 – 0.5 | Exploration (past and present) has downgraded the tenement prospectivity, no mineralization identified |
| 0.5 – 1.0 | Exploration potential has been maintained (rather than enhanced) by past and present activity from regional mapping |
| 1.0 – 1.3 | Exploration has maintained, or slightly enhanced (but not downgraded) the prospectivity |
| 1.3 – 1.5 | Exploration has considerably increased the prospectivity (geological mapping, geochemical or geophysical) |
| 1.5 – 2.0 | Scout Drilling has identified interesting intersections of mineralization |
| 2.0 – 2.5 | Detailed Drilling has defined targets with potential economic interest. |
| 2.5 – 3.0 | A resource has been defined at Inferred Resource Status, no feasibility study has been completed |
| 3.0 – 4.0 | Indicated Resources have been identified that are likely to form the basis of a prefeasibility study |
| 4.0 – 5.0 | Indicated and Measured Resources have been identified and economic parameters are available for assessment. |

Future committed exploration expenditure is discounted to 60% by some valuers to reflect the uncertainty of results and the possible variations in exploration programmes caused by future undefined events. Expenditure estimates for tenements under application are often discounted to 60% of the estimated value by some valuers to reflect uncertainty in the future granting of the tenement. The PEM Factors are defined in the table.

GEO-FACTOR RATING METHOD (KILBURN)

Valuation is based on a calculation in which the geological prospectivity, commodity markets, financial markets, stock markets and mineral property markets are assessed independently. The Kilburn method is essentially a technique to define a value based on geological prospectivity. The method appraises a variety of mineral property characteristics:

- location with respect to any off-property mineral occurrence of value, or favourable geological, geochemical or geophysical anomalies;
- location and nature of any mineralization, geochemical, geological or geophysical anomaly within the property and the tenor of any mineralization known to exist on the property being valued;
- number and relative position of anomalies on the property being valued;
- geological models appropriate to the property being valued.

The Method systematically assesses and grades these four key technical attributes of a tenement to arrive at a series of multiplier factors. The Basic Acquisition Cost (BAC) is the important input to the Kilburn Method and it is calculated by summing the annual rent, statutory expenditure for a period of 12 months and administration fees.

The current Base Acquisition Cost (BAC) for exploration projects is considered to be the average expenditure for the first year of the licence tenure. Exploration Licences in Western Australia, for example, attract a minimum annual expenditure for the first three years of \$1,000 per block and annual rent of \$113.50. A 15% administration fee is taken into account to imply a BAC of \$4000 to \$450 per square kilometre. A similar approach based on expenditure commitments is taken for Prospecting Licences and Mining Leases.

| Licence Type | Expend. | Rent | Admin | Total | \$/km ² | BAC - Low | BAC - High |
|--------------------------------------|---------|--------|--------|----------|--------------------|---------------|---------------|
| Exploration Licence (E, \$/block) | 1000 | 113.50 | 167.03 | 1,280.53 | 413 | 400 | 450 |
| Prospecting Licences (P, \$/Ha) | 40.00 | 2.20 | 6.33 | 48.53 | 4,853 | 5,000 | 5,500 |
| Mining Lease (M, \$/Ha) | 100.00 | 15.00 | 17.25 | 132.25 | 13,225 | 13,000 | 14,000 |

The multipliers or ratings and the criteria for rating selection across these four factors are summarized in the following table.

| KILBURN GEO-FACTOR RATING CRITERIA - MODIFIED | | | | | |
|--|---------------|---|---|---|--|
| | Rating | Address - Off Property | Mineralization - On Property | Anomalies | Geology |
| Low | 0.5 | Very little chance of mineralization, Concept unsuitable to environment | Very little chance of mineralization, Concept unsuitable to environment | Extensive previous exploration with poor results - no encouragement | Generally Unfavourable lithology |
| Average | 1 | Indications of Prospectivity, Concept validated | Indications of Prospectivity, Concept validated | Extensive previous exploration with encouraging results - regional targets | Deep alluvium Covered Generally favourable geology |
| | 1.5 | RAB Drilling with some scattered results | Exploratory sampling with encouragement, Concept validated | Several early stage targets outlined from geochemistry and geophysics | Shallow alluvium Covered Generally favourable geology (50-60%) |
| | 2 | Significant RC drilling leading to advance project status | RAB &/or RC Drilling with encouraging intercepts reported | Several well defined surface targets with some RAB drilling | Exposed favourable lithology (60-70%) |
| | 2.5 | Grid drilling with encouraging results on adjacent sections | Diamond Drilling after RC with encouragement | Several well defined surface targets with encouraging drilling results | Strongly favourable lithology (70-80%) |
| High | 3 | Resource areas identified | Advanced Resource definition drilling - early stage | Several significant sub economic targets - no indication of volume | Highly prospective geology (90 - 100%) |
| | 3.5 | Along strike or adjacent to known mineralization at Pre-Feasibility Stage | Resource areas identified | Sub economic targets of possible significant volume - early stage drilling | |
| | 4 | Along strike or adjacent to Resources at Definitive Feasibility Stage | Along strike or adjacent to known mineralization at Pre-Feasibility Stage | Marginal economic targets of significant volume - advanced drilling | |
| | 4.5 | Along strike or adjacent to Development Stage Project | Along strike or adjacent to Resources at Definitive Feasibility Stage | Marginal economic targets of significant volume - well drilled at Inferred Resource stage | |
| Very High | 5 | Along strike or adjacent to Operating Mine | Along strike or adjacent to Development Stage Project | Several significant ore grade correlatable intersections with estimated resources | |

Estimate of project value is carried out on a tenement by tenement basis and uses four calculations as shown below. The value estimate is shown as a range with a preferred value.

$$\text{Base Value} = [\text{Area}] * [\text{Grant Factor}] * [\text{Equity}] * [\text{Base Acquisition Cost}]$$

$$\text{Prospectivity Index} = [\text{Off Site Factor}] * [\text{On Site Factor}] * [\text{Anomaly Factor}] * [\text{Geology Factor}]$$

$$\text{Technical Value} = [\text{Base Value}] * [\text{Prospectivity Index}]$$

$$\text{Market Value} = [\text{Technical Value}] * [\text{Market Premium Factor}]$$

VALUATION OF RESOURCES BY COMPARABLE TRANSACTIONS

If a property in the recent past was the subject of an arms-length transaction, for either cash or shares (i.e. from a company whose principal asset was the mineral property) then this forms the most realistic starting point, provided that the deal is still relevant in today's market. Complicating matters is the knowledge that properties rarely change hands for cash, except for liquidation purposes, estate sales, or as raw exploration property when sold by an individual prospector, or entrepreneur.

Any underlying royalty or net profits interests or rights held by the original vendor of the claims should be deducted from the resultant property value before determination of the company's interest. Also, reductions in value should be made where environmental, legal or political sensitivities could seriously retard the development of exploration properties.

It should be noted again that exploration is cyclical, and in periods of low metal prices there is often no market, or a market at very low prices, for ordinary exploration acreage (inventory property) unless it is combined with a significant mineral deposit, or with other incentives.

Truly Comparable Transactions are rare for early stage properties without defined drill targets. This is natural in a recession, as companies focus on brownfields exploration. Inflated prices paid for property in fashionable areas should not be discounted because they reflect the true market value of a property at the transaction date. If however, the market sentiment is not so buoyant then adjustments must be made.

When only a resource or defined body of mineralisation has been outlined and its economic viability has still to be established (i.e. there is no ore reserve) then a **Comparable Transactions** approach is usually applied, often stated as a percentage of metal value. This can be applied to Mineral Resource estimates and Exploration Targets in accordance with the JORC code with appropriate discounts for risk in the different categories.

| Resource Category Discounts | |
|-----------------------------|-----|
| Measured Resource | 80% |
| Indicated Resource | 70% |
| Inferred Resource | 60% |
| Exploration Target | 50% |

With gold projects the method requires allocating a dollar value to resource ounces of gold in the ground. This may also apply to well established zones of mineralisation which have not formally

been categorised under the JORC code. An additional risk weighting may be appropriate in these circumstances.

The dollar value must take into account a number of aspects of the resources including:

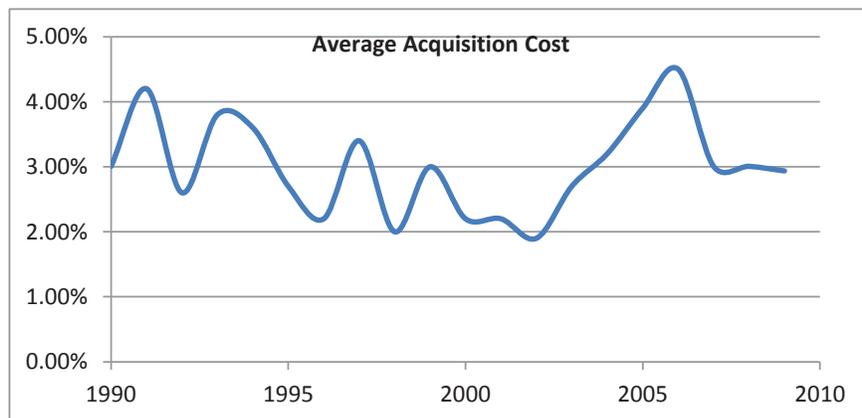
- The confidence in the resource estimation (the JORC Category).
- The quality of the resource (grade and recovery characteristics)
- Possible extensions of the resource in adjacent areas
- Exploration potential for other mineralisation within the tenements
- Presence and condition of a treatment plant within the project
- Proximity of toll treatment facilities, infrastructure, development and capital expenditure aspects

A similar approach can be taken with other metals including uranium or base metals sold on the spot market and benchmarks are similar to gold properties. Value is estimated as a percentage of contained value once appropriate discounts for uncertainty relating to resource categorisation are taken into account. An example of appropriate discounts for Rare Earths, Iron Ore and Base Metals is included below but these must be considered on a case-by-case basis.

| Operations Factors | Gold | Rare Earths | Iron Ore | Base Metals |
|---------------------------------|----------------|--------------|---------------|---------------|
| Recovery | 100% | 60% | 88.00% | 100% |
| Mining | 100% | 100% | 90.00% | 100% |
| Processing | 100% | 50% | 80.00% | 90% |
| Rail | 100% | 75% | 80.00% | 90% |
| Port | 100% | 90% | 70.00% | 90% |
| Capex | 100% | 50% | 70.00% | 90% |
| Marketing | 100% | 75% | 85.00% | 90% |
| Total Operating Discount | 100.00% | 7.59% | 21.11% | 59.05% |

The AAC for gold projects lies in the range of 2% to 5%. The data set does not differentiate between resource categories and it is implicit that this has been taken into account with risk related discounts. Information on sales internationally has shown a pattern for 'Apparent Acquisition Cost' (AAC) over the last twenty years as shown in the following chart.

Comparative transactions in the gold industry over the last 20 years



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For the purpose of valuation the Average Acquisition Cost for the lower, preferred and higher value is selected at the 25th, 50th and 75th percentiles.

| Percentile | AAC Percentiles | | | | |
|--------------------------|------------------|------------------|------------------|------------------|------------------|
| | 10 th | 25 th | 50 th | 75 th | 90 th |
| Average Acquisition Cost | 2.2% | 2.5% | 3.0% | 3.4% | 3.9% |

VALUATION REFERENCES

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GLOSSARY OF TECHNICAL TERMS

| | |
|---------------------------|--|
| aeolian | Formed or deposited by wind. |
| aerial photography | Photographs of the earth's surface taken from an aircraft. |
| aeromagnetic | A survey undertaken by helicopter or fixed-wing aircraft for the purpose of recording magnetic characteristics of rocks by measuring deviations of the earth's magnetic field. |
| airborne geophysical data | Data pertaining to the physical properties of the earth's crust at or near surface and collected from an aircraft. |
| aircore | Drilling method employing a drill bit that yields sample material which is delivered to the surface inside the rod string by compressed air. |
| alluvial | Pertaining to silt, sand and gravel material, transported and deposited by a river. |
| alluvium | Clay silt, sand, gravel, or other rock materials transported by flowing water and deposited in comparatively recent geologic time as sorted or semi-sorted sediments in riverbeds, estuaries, and flood plains, on lakes, shores and in fans at the base of mountain slopes and estuaries. |
| alteration | The change in the mineral composition of a rock, commonly due to hydrothermal activity. |
| amphibolite facies | An assemblage of minerals formed at moderate to high temperatures (450°C to 700°C) during regional metamorphism. |
| andesite | An intermediate volcanic rock composed of andesine and one or more mafic minerals. |
| anomalies | An area where exploration has revealed results higher than the local background level. |
| anticline | A fold in the rocks in which strata dip in opposite directions away from the central axis. |
| antiformal | An anticline-like structure. |
| Archaean | The oldest rocks of the Precambrian era, older than about 2,500 million years. |
| assayed | The testing and quantification metals of interest within a sample. |
| Au | Chemical symbol for gold. |
| auger sampling | A drill sampling method using an auger to penetrate upper horizons and obtain a sample from lower in the hole. |
| axial plane | The plane that intersects the crest or trough of a fold, about which the limbs are more or less symmetrically arranged. |
| basalts | A volcanic rock of low silica (<55%) and high iron and magnesium composition, composed primarily of plagioclase and pyroxene. |
| polymetallics | A non-precious metal, usually referring to copper, lead and zinc. |
| bedrock | Any solid rock underlying unconsolidated material. |
| BIF | A rock consisting essentially of iron oxides and cherty silica, and possessing a marked banded appearance. |
| BLEG sampling | Bulk leach extractable gold analysis; an analytical method for accurately determining low levels of gold. |
| brittle | Rock deformation characterised by brittle fracturing and brecciation. |
| Cainozoic | An era of geological time spanning the period from 65 million years ago to the present. |
| carbonate | Rock of sedimentary or hydrothermal origin, composed primarily of calcium, magnesium or iron and CO ₃ . Essential component of limestones and marbles. |
| chert | Fine grained sedimentary rock composed of cryptocrystalline silica. |
| chlorite | A green coloured hydrated aluminium-iron-magnesium silicate mineral (mica) common in metamorphic rocks. |

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| clastic | Pertaining to a rock made up of fragments or pebbles (clasts). |
| clays | A fine-grained, natural, earthy material composed primarily of hydrous aluminium silicates. |
| colluvium | A loose, heterogeneous and incoherent mass of soil material deposited by slope processes. |
| conduits | The main pathways that facilitate the movement of hydrothermal fluids. |
| conglomerate | A rock type composed predominantly of rounded pebbles, cobbles or boulders deposited by the action of water. |
| copper | A reddish metallic element, used as an electrical conductor and the basis of brass and bronze. |
| decide | An extrusive rock composed mainly of plagioclase, quartz and pyroxene or hornblende or both. |
| depletion | The lack of gold in the near-surface environment due to leaching processes during weathering. |
| diamond drill hole | Mineral exploration hole completed using a diamond set or diamond impregnated bit for retrieving a cylindrical core of rock. |
| dilatational | Open space within a rock mass commonly produced in response to folding or faulting. |
| dolerite | A medium grained mafic intrusive rock composed mostly of pyroxenes and sodium-calcium feldspar. |
| DMP | Department of Minerals & Petroleum, WA. |
| ductile | Deformation of rocks or rock structures involving stretching or bending in a plastic manner without breaking. |
| dykes | A tabular body of intrusive igneous rock, crosscutting the host strata at a high angle. |
| en-echelon | Repeating parallel, but offset, occurrences of lenticular bodies such as ore veins. |
| erosional | The group of physical and chemical processes by which earth or rock material is loosened or dissolved and removed from any part of the earth's surface. |
| fault zone | A wide zone of structural dislocation and faulting. |
| feldspar | A group of rock forming minerals. |
| felsic | An adjective indicating that a rock contains abundant feldspar and silica. |
| folding | A term applied to the bending of strata or a planar feature about an axis. |
| foliated | Banded rocks, usually due to crystal differentiation as a result of metamorphic processes. |
| follow-up | A term used to describe more detailed exploration work over targets generated by regional exploration. |
| g/t | Grams per tonne, a standard volumetric unit for demonstrating the concentration of precious metals in a rock. |
| gabbro | A fine to coarse grained, dark coloured, igneous rock composed mainly of calcic plagioclase, clinopyroxene and sometimes olivine. |
| geochemical | Pertains to the concentration of an element. |
| geophysical | Pertains to the physical properties of a rock mass. |
| GIS database | A system devised to present partial data in a series of compatible and interactive layers. |
| gneissic | Coarse grained metamorphic rocks characterised by mineral banding of the light and dark coloured constituent minerals. |
| granite | A coarse-grained igneous rock containing mainly quartz and feldspar minerals and subordinate micas. |
| granoblastic | A term describing the texture of a metamorphic rock in which the crystals are of equal size. |
| granodiorite | A coarse grained igneous rock composed of quartz, feldspar and hornblende and/or biotite. |
| greenschist | A metamorphosed basic igneous rock which owes its colour and schistosity to abundant chlorite. |

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| greenstone belt | A broad term used to describe an elongate belt of rocks that have undergone regional metamorphism to greenschist facies. |
| greywackes | A sandstone like rock, with grains derived from a dominantly volcanic origin. |
| GSWA | Geological Survey of Western Australia. |
| gypsum | Mineral of hydrated, or water-containing, calcium sulphate. |
| halite | Impure salt deposit formed by evaporation. |
| hanging wall | The mass of rock above a fault, vein or zone of mineralization. |
| hematite | Iron oxide mineral, Fe ₂ O ₃ . |
| hinge zone | A zone along a fold where the curvature is at a maximum. |
| hydrothermal fluids | Pertaining to hot aqueous solutions, usually of magmatic origin, which may transport metals and minerals in solution. |
| igneous | Rocks that have solidified from a magma. |
| infill | Refers to sampling or drilling undertaken between pre-existing sample points. |
| insitu | In the natural or original position. |
| interflow | Refers to the occurrence of other rock types between individual lava flows within a stratigraphic sequence. |
| intermediate | A rock unit which contains a mix of felsic and mafic minerals. |
| intrusions | A body of igneous rock which has forced itself into pre-existing rocks. |
| intrusive contact | The zone around the margins of an intrusive rock. |
| ironstone | A rock formed by cemented iron oxides. |
| isoclinal | A series of folds that dip in the same direction at the same angle. |
| joint venture | A business agreement between two or more commercial entities. |
| komatiitic | Magnesium-rich mafic to ultramafic extrusive rock. |
| laterite | A cemented residuum of weathering, generally leached in silica with a high alumina and/or iron content. |
| lead | A metallic element, the heaviest and softest of the common metals. |
| lineament | A significant linear feature of the earth's crust, usually equating a major fault or shear structure. |
| lithological contacts | The contacts between different rock types. |
| lithotypes | Rock types. |
| magnetite | A mineral comprising iron and oxygen which commonly exhibits magnetic properties. |
| metamorphic | A rock that has been altered by physical and chemical processes involving heat, pressure and derived fluids. |
| metasedimentary | A rock formed by metamorphism of sedimentary rocks. |
| monzogranite | A granular plutonic rock containing approximately equal amounts of orthoclase and plagioclase feldspar, but usually with a low quartz content. |
| Moz | Millions of ounces. |
| Mt | Million Tonnes. |
| mylonite | A hard compact rock with a streaky or banded structure produced by extreme granulation of the original rock mass in a fault or thrust zone. |
| nickel | Silvery-white metal used in alloys. |
| nickel laterite | Nickel ore hosted within the laterite profile, usually derived from the weathering of olivine-rich ultramafic rocks. |
| open pit | A mine working or excavation open to the surface. |
| Orthoimage | A geographically located composite plan using aerial photography as a base. |
| outcrops | Surface expression of underlying rocks. |
| palaeochannels | An ancient preserved stream or river. |
| pegmatite | A very coarse grained intrusive igneous rock which commonly occurs in dyke-like bodies containing lithium-boron-fluorine-rare earth bearing minerals. |
| pisolitic | Describes the prevalence of rounded manganese, iron or alumina-rich chemical concretions, frequently comprising the upper portions of a laterite profile. |
| playa lake | Broad shallow lakes that quickly fill with water and quickly evaporate, characteristic of deserts. |

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| polymictic | Referring to coarse sedimentary rocks, typically conglomerate, containing clasts of many different rock types. |
| porphyries | Felsic intrusive or sub-volcanic rock with larger crystals set in a fine groundmass. |
| ppb | Parts per billion; a measure of low level concentration. |
| Proterozoic | An era of geological time spanning the period from 2,500 million years to 570 million years before present. |
| pyroxenite | A coarse grained igneous intrusive rock dominated by the mineral pyroxene. |
| quartz reefs | Old mining term used to describe large quartz veins. |
| quartzofeldspathic | Compositional term relating to rocks containing abundant quartz and feldspar, commonly applied to metamorphic and sedimentary rocks. |
| quartzose | Quartz-rich, usually relating to clastic sedimentary rocks. |
| RAB drilling | A relatively inexpensive and less accurate drilling technique involving the collection of sample returned by compressed air from outside the drill rods. |
| rafts | A relatively large block of foreign rock incorporated into an intrusive magma. |
| RC drilling | A drilling method in which the fragmented sample is brought to the surface inside the drill rods, thereby reducing contamination. |
| regolith | The layer of unconsolidated material which overlies or covers insitu basement rock. |
| residual resources | Soil and regolith which has not been transported from its point or origin. Insitu mineral occurrence from which valuable or useful minerals may be recovered. |
| rhyolite | Fine-grained felsic igneous rock containing high proportion of silica and feldspar. |
| rock chip sampling | The collection of rock specimens for mineral analysis. |
| saline | Salty |
| saprock | Zone of weathered rock preserved within the weathered profile. |
| saprolite | Disintegrated, in-situ rock, partially decomposed by the chemical and physical processes of oxidation and weathering. |
| satellite imagery | The images produced by photography of the earth's surface from satellites. |
| schist | A crystalline metamorphic rock having a foliated or parallel structure due to the recrystallisation of the constituent minerals. |
| scree | The rubble composed of rocks that have formed down the slope of a hill or mountain by physical erosion. |
| sedimentary | A term describing a rock formed from sediment. |
| sericite | A white or pale apple green potassium mica, very common as an alteration product in metamorphic and hydrothermally altered rocks. |
| shale | A fine grained, laminated sedimentary rock formed from clay, mud and silt. |
| sheared | A zone in which rocks have been deformed primarily in a ductile manner in response to applied stress. |
| sheet wash | Referring to sediment, usually sand size, deposited over broad areas characterised by sheet flood during storm or rain events. Superficial deposit formed by low temperature chemical processes associated with ground waters, and composed of fine grained, water-bearing minerals of silica. |
| silcrete | Superficial deposit formed by low temperature chemical processes associated with ground waters, and composed of fine grained, water-bearing minerals of silica. |
| silica | Dioxide of silicon, SiO ₂ , usually found as the various forms of quartz. |
| sills | Sheets of igneous rock which is flat lying or has intruded parallel to stratigraphy. |
| silts | Fine-grained sediments, with a grain size between those of sand and clay. |
| soil sampling | The collection of soil specimens for mineral analysis. |

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| stocks | A small intrusive mass of igneous rock, usually possessing a circular or elliptical shape in plan view. |
| strata | Sedimentary rock layers. |
| stratigraphic | Composition, sequence and correlation of stratified rocks. |
| stream sediment sampling | The collection of samples of stream sediment with the intention of analysing them for trace elements. |
| strike | Horizontal direction or trend of a geological structure. |
| subcrop | Poorly exposed bedrock. |
| sulphide | A general term to cover minerals containing sulphur and commonly associated with mineralization. |
| supergene | Process of mineral enrichment produced by the chemical remobilisation of metals in an oxidised or transitional environment. |
| syenite | An intrusive igneous rock composed essentially of alkali feldspar and little or no quartz and ferromagnesian minerals. |
| syncline | A fold in rocks in which the strata dip inward from both sides towards the axis. |
| talc | A hydrous magnesium silicate, usually formed due to weathering of magnesium silicate rocks. |
| tectonic | Pertaining to the forces involved in or the resulting structures of movement in the earth's crust. |
| tholeiitic | A descriptive term for a basalt with little or no olivine. |
| thrust fault | A reverse fault or shear that has a low angle inclination to the horizontal. |
| tremolite | A grey or white metamorphic mica of the amphibole group, usually occurring as bladed crystals or fibrous aggregates. |
| ultramafic | Igneous rocks consisting essentially of ferromagnesian minerals with trace quartz and feldspar. |
| veins | A thin infill of a fissure or crack, commonly bearing quartz. |
| volcaniclastics | Pertaining to clastic rock containing volcanic material. |
| volcanics | Formed or derived from a volcano. |
| zinc | A lustrous, bluish-white metallic element used in many alloys including brass and bronze. |



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7 April 2013

The Directors,

RSM Bird Cameron Corporate Pty Ltd
PO Box 248, Collins Street West,
VIC 3000

Dear Sirs,

**Re: INDEPENDENT VALUATION OF THE MINERAL PROJECTS HELD BY SASAK RESOURCES PTY LTD
in WESTERN AUSTRALIA and QUEENSLAND**

I have been commissioned by RSM Bird Cameron Corporate Pty Ltd ("RSM") to assist in the preparation of an Independent Expert's Report ("IER") by providing a Valuation Report on the projects held by Sasak Resources Pty Ltd ("Sasak").

RSM Bird Cameron Corporate Pty Ltd ("RSM") has been engaged by the Directors of MRG to prepare an Independent Expert's Report ("IER") in relation to the proposed acquisition of Sasak by MRG Metals Limited ("MRG"). RSM is to prepare an IER stating whether, in the expert's opinion, the proposed transaction is fair and reasonable to the non-associated shareholders. In order to complete the IER, RSM requires an independent technical assessment and valuation of both MRG's and Sasak's exploration tenements ("the Valuation Reports").

The Projects

The Sasak Tenements in Western Australia cover part of a newly identified greenstone belt to the east of the Yamarna greenstone belt where Gold Road Resources Limited ('Gold Road') has recently announces exploration success. It is located 140km east of Laverton on the eastern edge of the Yilgarn Craton in Western Australia.

Sasak has identified three Iron Oxide Copper Gold (IOCG) targets on open ground within the Mount Isa Block. These three areas are now under Exploration Licence (EL) Application.

For personal use only

The present status of the tenements listed in this report is based on information provided by MRG and is set out in the Tenement Schedule. The Report has been prepared on the assumption that the tenements are lawfully accessible for evaluation.

DECLARATIONS

Relevant codes and guidelines

This Report has been prepared as a technical assessment in accordance with the “Code for Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports” (the “VALMIN Code”) effective 2005, which is binding upon Members of the Australasian Institute of Mining and Metallurgy (“AusIMM”) and the Australian Institute of Geoscientists (“AIG”), as well as the rules and guidelines issued by the ASIC and the ASX Limited (“ASX”) which pertain to Independent Expert Reports (Regulatory Guides RG111 and RG112).

Where and if mineral resources have been referred to in this Report, the classifications are consistent with the “Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves” (the “JORC Code”), prepared by the Joint Ore Reserves Committee of the AusIMM, the AIG and the Minerals Council of Australia, effective December 2012.

Under the definition provided by the ASX and the VALMIN Code, the Projects are classified as ‘exploration projects’, which is inherently speculative in nature. The Project is considered to be sufficiently prospective, subject to varying degrees of risk, to warrant further exploration and development of their economic potential, consistent with the exploration and development program proposed by MRG.

Sources of Information

The statements and opinion contained in this Report are given in good faith and this Report is based on information provided by the title holders, along with technical reports prepared by consultants, previous tenements holders and other relevant published and unpublished data for the area. I have endeavoured, by making all reasonable enquiries, to confirm the authenticity, accuracy and completeness of the technical data upon which this Report is based.

In compiling this Report, I did not carry out a site visit to the Project area. Based on my professional knowledge and experience, earlier visits within Western Australia and Queensland, the availability of extensive databases and technical reports made available by various Government Agencies, I considered that sufficient current information was available to allow an informed appraisal to be made without such a visit.

This Report has been compiled based on information available up to and including the date of this Report. Consent has been given for the distribution of this Report in the form and context in which it appears. I have no reason to doubt the authenticity or substance of the information provided.

This Report may contain statements attributable to third persons. These statements are made in, or

based on statements made in previous geological reports that are publicly available from either a government department or the ASX. The authors of these previous reports have not consented to the statements' use in this Report, and these statements are included in accordance with ASIC Class Order [CO 07/428] Consent to quote: *Citing trading data and geological reports in disclosure documents and PDS.*

Qualifications and Experience

The person responsible for the preparation of this Report is:

Malcolm Castle, B.Sc. (Hons), GCertAppFin (Sec Inst), MAusIMM.

Malcolm Castle has over 40 years' experience in exploration geology and property evaluation, working for major companies for 20 years as an exploration geologist. He established a consulting company 20 years ago and specializes in exploration management, technical audit, due diligence and property valuation at all stages of development. He has wide experience in a number of commodities including gold, base metals, iron ore and mineral sands. He has been responsible for project discovery through to feasibility study in Australia, Fiji, Southern Africa and Indonesia and technical Audits in many countries.

Mr Castle completed studies in Applied Geology with the University of New South Wales in 1965 and has been awarded a B.Sc. (Hons) degree. He has completed postgraduate studies with the Securities Institute of Australia in 2001 and has been awarded a Graduate Certificate in Applied Finance and Investment in 2004.

Competent Persons Statement

The information in this Independent Geological Report that relates to Exploration Targets, Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Malcolm Castle, a competent person who is a Member of the Australasian Institute of Mining and Metallurgy ("AusIMM"). Mr Castle is a consultant geologist employed by Agricola Mining Consultants Pty Ltd. Mr Castle has sufficient experience that is relevant to the style of mineralisation and type of deposits under consideration and to the activity being undertaken 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" (JORC code). Mr Castle consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

Independence

I am not, nor intend to be a director, officer or other direct employee of MRG or Sasak and have no material interest in the Projects or MRG or Sasak. The relationship with MRG and Sasak is solely one of professional association between client and independent consultant. The review work and this Report are prepared in return for professional fees based upon agreed commercial rates and the payment of these fees is in no way contingent on the results of this Report.

Yours faithfully



Malcolm Castle
B.Sc.(Hons), MAusIMM,
GCertAppFin (Sec Inst)

TENEMENT SCHEDULE

SASAK RESOURCES AUST PTY LTD - SCHEDULE OF WA and QLD TITLES (last amended 20/3/13)

| Tenement Type & Number | Location / Project | Registered Holders & Interests | Date Granted | Date Expiry | Status | Part surrender due | Application Date | Area - Blocks | Annual/Project reporting group/due | Annual Expenditure | Annual Rent | Estimated Annual Rates |
|------------------------|---------------------------|--|--------------|-------------|--------|--------------------|------------------|---------------|--|--------------------|-------------|------------------------|
| E38/2541 | Yelina, WA | Sasak Resources Australia Pty Ltd (100%) | 22/07/11 | 21/07/16 | Live | 21/07/16 | 19/11/10 | 3.00 | 20-Sep | \$15,000.00 | \$350.10 | \$230.00 |
| E38/2543 | Burtville, WA | Sasak Resources Australia Pty Ltd (100%) | 21/07/11 | 20/07/16 | Live | 20/07/16 | 19/11/10 | 2.00 | 19-Sep | \$15,000.00 | \$233.40 | \$230.00 |
| E38/2544 | Yamama, WA | Sasak Resources Australia Pty Ltd (100%) | 21/07/11 | 20/07/16 | Live | 20/07/16 | 19/11/10 | 5.00 | 19-Sep | \$15,000.00 | \$583.50 | \$230.00 |
| E39/1616 | Hope Campbell Hill, WA | Sasak Resources Australia Pty Ltd (100%) | 5/07/11 | 4/07/16 | Live | 3/07/16 | 19/11/10 | 6.00 | 3-Sep | \$20,000.00 | \$700.20 | \$230.00 |
| E38/2547 | Ida Range, WA | Sasak Resources Australia Pty Ltd (100%) | 21/07/11 | 20/07/16 | Live | 20/07/16 | 23/11/10 | 49.00 | Yamama (C68/2012) 20/7 to 19/7 due 17/10 | \$49,000.00 | \$5,718.30 | \$1,669.00 |
| E38/2548 | Beatrice May Bluff, WA | Sasak Resources Australia Pty Ltd (100%) | 11/08/11 | 10/08/16 | Live | 10/08/16 | 23/11/10 | 101.00 | Yamama (C68/2012) 20/7 to 19/7 due 17/10 | \$101,000.00 | \$11,786.70 | \$3,439.00 |
| E38/2549 | Mt Smith, WA | Sasak Resources Australia Pty Ltd (100%) | 20/07/11 | 19/07/16 | Live | 19/07/16 | 23/11/10 | 4.00 | Yamama (C68/2012) 20/7 to 19/7 due 17/10 | \$15,000.00 | \$466.80 | \$230.00 |
| E38/2550 | Great Victoria Desert, WA | Sasak Resources Australia Pty Ltd (100%) | 20/07/11 | 19/07/16 | Live | 19/07/16 | 23/11/10 | 6.00 | Yamama (C68/2012) 20/7 to 19/7 due 17/10 | \$20,000.00 | \$700.20 | \$230.00 |
| E38/2551 | Great Victoria Desert, WA | Sasak Resources Australia Pty Ltd (100%) | 21/07/11 | 20/07/16 | Live | 19/07/16 | 23/11/10 | 193.00 | Yamama (C68/2012) 20/7 to 19/7 due 17/10 | \$193,000.00 | \$22,523.10 | \$6,572.00 |

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|---------------|---------------------------|--|----------|----------|---------|----------|----------|--------|--|---------------------|--------------------|--------------------|
| E38/2553 | Great Victoria Desert, WA | Sasak Resources Australia Pty Ltd (100%) | 21/07/11 | 20/07/16 | Live | 19/07/16 | 22/11/10 | 55.00 | Yamama (C68/2012) 20/7 to 19/7 due 17/10 | \$55,000.00 | \$6,418.50 | \$1,873.00 |
| E38/2554 | Little View Hill, WA | Sasak Resources Australia Pty Ltd (100%) | | | Pending | | 22/11/10 | 58.00 | | | | |
| E38/2555 | Ernest Giles Range, WA | Sasak Resources Australia Pty Ltd (100%) | 21/07/11 | 20/07/16 | Live | 19/07/16 | 22/11/10 | 5.00 | Yamama (C68/2012) 20/7 to 19/7 due 17/10 | \$15,000.00 | \$583.50 | \$230.00 |
| E38/2556 | Great Victoria Desert, WA | Sasak Resources Australia Pty Ltd (100%) | 21/07/11 | 20/07/16 | Live | 19/07/16 | 22/11/10 | 32.00 | Yamama (C68/2012) 20/7 to 19/7 due 17/10 | \$32,000.00 | \$3,734.40 | \$1,090.00 |
| E38/2557 | Great Victoria Desert, WA | Sasak Resources Australia Pty Ltd (100%) | 7/03/12 | 6/03/17 | Live | 6/03/17 | 23/11/10 | 154.00 | Yamama (C68/2012) 20/7 to 19/7 due 17/10 | \$154,000.00 | \$17,971.80 | \$5,244.00 |
| E38/2561 | Prenti Downs, WA | Sasak Resources Australia Pty Ltd (100%) | 11/08/11 | 10/08/16 | Live | 10/08/16 | 29/11/10 | 10.00 | 9-Oct | \$20,000.00 | \$1,167.00 | \$230.00 |
| E38/2773 | Ida Range, WA | Sasak Resources Australia Pty Ltd (100%) | | | Pending | | 7/09/12 | 57.00 | | | | |
| E38/3104 | Nullarbor, WA | Sasak Resources Australia Pty Ltd (100%) | | | Pending | | 30/11/12 | 70.00 | | | | |
| EPM19306 | Davenport Downs, QLD | Sasak Resources Australia Pty Ltd (100%) | | | Pending | | 26/07/11 | 12.00 | | | | |
| EPM19470 | Squirrel Hill, QLD | Sasak Resources Australia Pty Ltd (100%) | | | Pending | | 2/12/11 | 2.00 | | | | |
| EPM19471 | Pulchera, QLD | Sasak Resources Australia Pty Ltd (100%) | | | Pending | | 2/12/11 | 41.00 | | | | |
| TOTALS | | | | | | | | | | \$719,000.00 | \$72,937.50 | \$21,727.00 |

E38/2554:Appln rec for grant 31/12/10. DMP processing on hold 100% in A Class Nature Reserve. Expenditure commitment of \$58,000 on grant

The tenement schedule includes all matters addressed in Paragraph 68 of the VALMIN Code (2005) that are considered to be material to the valuation.

The status of the tenement has been verified based on a recent review of the Public Enquiry Reports from the Western Australian Department of Mines and Petroleum pursuant to paragraphs 67 and 68 of the VALMIN Code. The tenements are believed to be in good standing at the date of this valuation as represented by MRG. Some future events such as the grant (or otherwise) of expenditure exemptions and plaint action may impact of the valuation and may give grounds for a reassessment.

YAMARNA BELT OVERVIEW

The Sasak Tenements cover part of a newly identified greenstone belt to the east of the Yamarna greenstone belt where Gold Road Resources Limited ('Gold Road') has recently announces exploration success. The Yamarna Belt is Gold Road's flagship project and covers most of the Yamarna Greenstone Belt. It is located 140km east of Laverton on the eastern edge of the Yilgarn Craton in Western Australia.

Gold Road has 100% ownership of the Yamarna Belt (with some tenements subject to separate royalty agreements) and has made a number of significant gold discoveries across its substantial ground holding of around 5,000km². Situated directly north of the Tropicana deposit, there is increasing evidence that the Yamarna Greenstone Belt could be the fourth major, gold-rich, shear zone in the Yilgarn Craton. The world-class Yilgarn Craton currently produces over half of Australia's gold.

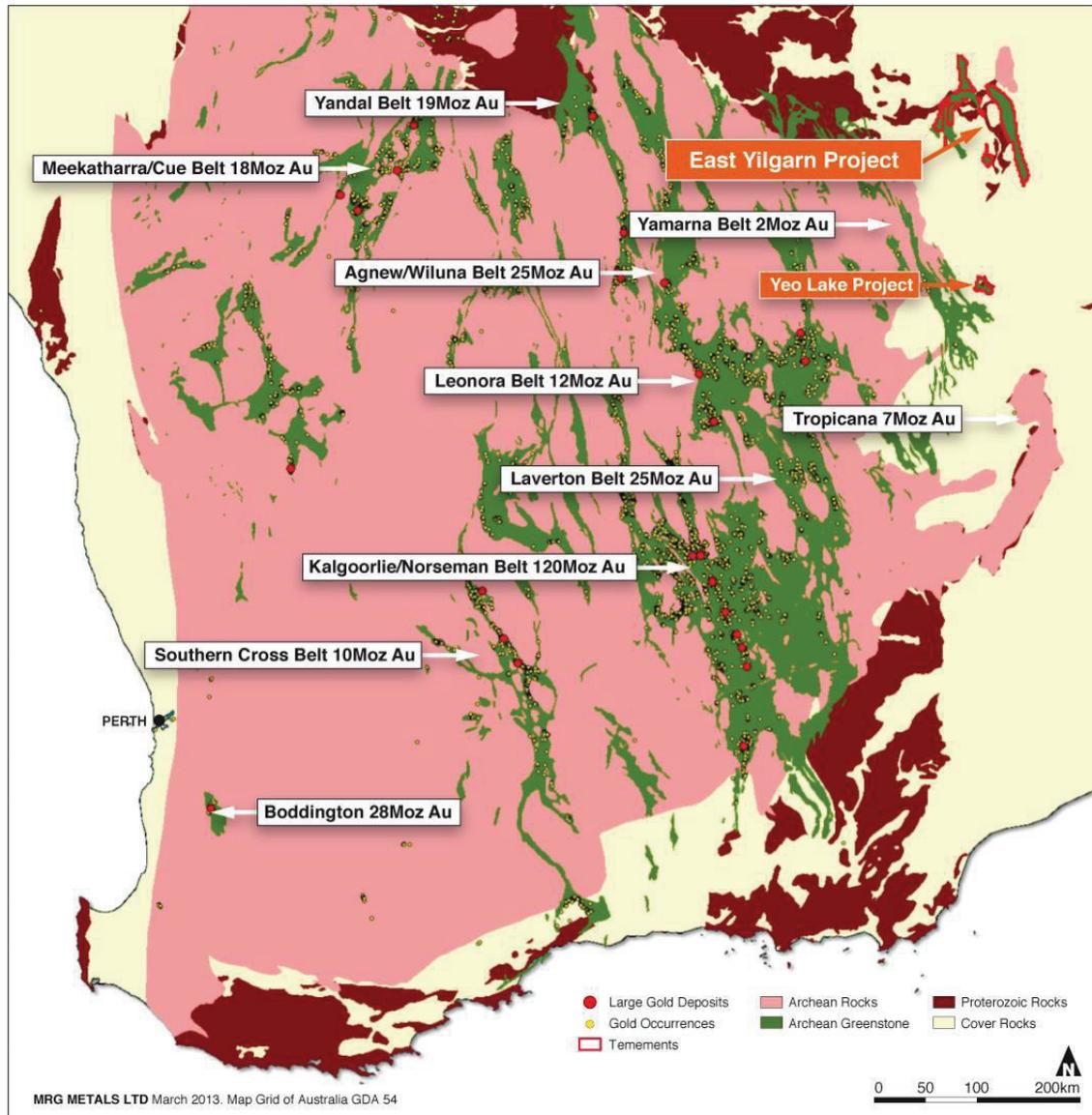
Gold Road has a suite of gold targets within its tenement holding, ranging from conceptual targets to targets with some surface and RAB geochemical anomalism. In 2011 Gold Road was granted state funding to drill the regional crustal structures of the **Dorothy Hills** and **Golden Sands** prospects. Both are highly prospective but relatively unexplored gold prospects, located further afield from its two existing resources at Attila and Central Bore.

No known previous drilling has been done at Golden Sands, which is interpreted to be on the southern extension of the Yamarna Shear Zone. It is situated 25 kilometres north of AngloGold-Ashanti and Independence's 5Moz Tropicana gold project. The Golden Sands project area extends over 65 kilometres and is considered highly prospective for gold and uranium mineralisation. The area has substantial younger sediment cover which obscures the prospective Archaean greenstone sequences.

At Dorothy Hills Gold Road identified significant new gold anomalies earlier this year at the contact between the basaltic rocks and the granites through combined auger and soil geochemistry programs.

Sasak holds 100% of granted Exploration Licences over 2,000 square kilometres of unexplored Yilgarn greenstone. In addition, Sasak has an exploration licence application at Loongana, within the Albany Fraser Orogen, the same geological province that hosts the Tropicana Gold Deposit and the Nova Nickel Discovery. Their modelling indicates a suitable geological environment for a substantial platinum - nickel - copper deposit.

Figure 1: Yilgarn Craton Simplified Geology



Greenstone Belts & Gold Deposits with Sasak licences in Red

Figure 1: Greenstone Belts and gold Deposits with Sasak Tenements

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- East Yilgarn Greenstone - 14 Exploration licences covering over 2,000 square kilometres
- Yeo Lake Greenstone - E38/2554 application
- Loongana (Albany Fraser Orogen) - E69/3104 application (not shown on image above)
- The East Yilgarn (Yamarna) project, is situated approximately 224.5km NE of Bandy Station. It falls within the Mount Margaret Mining District.

The main exploration target is Archaean Greenstone-hosted gold deposits such as the Golden Mile, or recent discoveries made in neighbouring greenstone terrains by companies like Gold Road Resources Limited (previously Eleckra Resources Limited). In addition, the magnetic and gravity signatures interpreted by Sasak suggest the presence of PGE-Ni-Cu mineralisation associated with mafic/ultramafic lithologies.

Exploration completed by Sasak during the first year of tenure has included:

- Compilation of public domain regolith geochemical data.
- SRTM Digital Elevation Data were acquired from NASA and image processed.
- Landsat 7 Thematic Mapper satellite data were acquired over for processing and interpretation. This included the merging of a total of 11 Landsat TM scenes into a regional Landsat mosaic.
- Regional airborne magnetic and radiometric data acquired using the Geoscience Australia
- Geophysical Archive Data Delivery System (GADDS) were acquired and processed.
- Creation of regional and project GIS Databases.
- Geochemical Prediction. Statistical correlations were identified between the regolith geochemical grids and the Geoscience Australia gravity and magnetic grids using proprietary techniques.

GEOLOGY AND MINERALISATION

The geology of the area is poorly known and Cainozoic superficial units up to about 30 m thick blanket about 90 percent of the area. Outcrops in the remainder consist of either flat-lying Phanerozoic rocks and easterly-dipping Proterozoic quartzites forming the western margin of the Officer Basin or Proterozoic rocks dipping gently north at the eastern end of the Nabberu Basin. No known mineral occurrences were identified from the GSWA MINEDEX mineral occurrence database.

Archaean rocks are exposed in the southwest of the Sheet area; elsewhere the crystalline basement is covered by flat-lying Proterozoic and Permian rocks. The greenstone areas form isolated north-northwest-trending belts within large areas of granitic rock and no continuity exists between the belts.

The Throssell Sheet area is situated near the northeast margin of the Yilgarn Block, a stable craton of Archaean age. To the north and east the Archaean rocks underlie almost undisturbed flat-lying Proterozoic and Phanerozoic sediments of the Nabberu and Officer Basins. Seismic traverses along the southeast side of Lake Throssell suggest that the eastern edge of the Yilgarn Block is a major fault with a down throw to the northeast of some 7,000 metres. There is no gravity anomaly

associated with the inferred fault, but this could be due to a lack of density contrast between the granitic rocks and the Proterozoic sediments to the east. Only three gold occurrences are known.

QUEENSLAND PROJECTS

Sasak has identified three IOCG targets on open ground within the Mount Isa Block. These three areas are now under Exploration Licence (EL) Application.

- Davenport Downs - EPM19306 application
- Squirrel Hill - EPM19470 application
- Pulchera - EPM19471 application

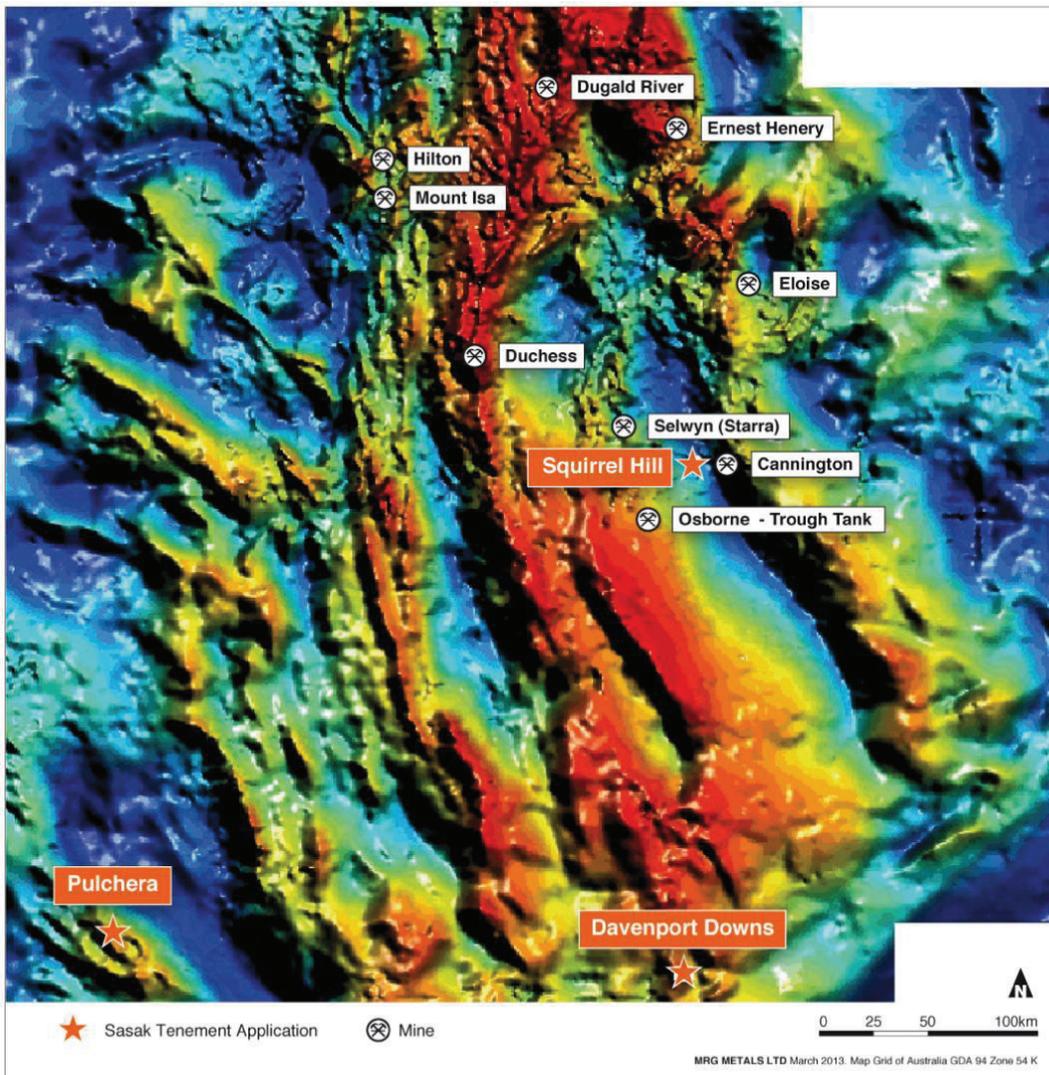


Figure 2: Queensland IOGC Project

VALUATION ASSESSMENT

The Sasak tenement portfolio is considered to have value as an Exploration Project with substantial encouragement from remote sensing and desktop review. Several methods of valuation are available for such projects where a Mineral Resource has not yet been estimated in accordance with the JORC code. These include the use of valuations based on past exploration expenditure and valuations based on perceived prospectivity.

Exploration projects can be extremely variable and the use of comparable transactions is unlikely to produce a statistical spread of values for “similar” projects. This method can be used where a Mineral Resource has been estimated. The *Prospectivity Exploration Multiplier (PEM)* is based on past expenditure while the Kilburn Geoscience Rating (*Geo-factor Rating*) is based on opinions of the prospectivity hence tenements can have marked variation in value between the methods.

The ‘Geo-factor Rating’ method of valuation for exploration tenements is the preferred valuation method for Sasak’s current tenements as it focusses on the future prospectivity of the area.

The Geo-factor Rating method systematically assesses and grades four key technical attributes of a tenement to arrive at a series of multiplier factors. The Basic Acquisition Cost (BAC) is the important input to the method and it is calculated by summing the application fees, annual rent, work required to facilitate granting (e.g. native title, environment etc.) and statutory expenditure for a period of 12 months. This is usually expressed as average expenditure per square kilometre. Equity and grant status are also taken into account. Each factor is then multiplied serially to the BAC. The ‘Base Value is multiplied by the prospectivity rating (the assessment of prospectivity factors multiplied together) to establish the overall technical value of each mineral property.

Where exploration has produced documented results a PEM can be derived which takes into account the valuer’s judgment of the success of the previous exploration techniques and results.

Paragraph 65 of RG 111 discusses a preference for the use of more than one valuation methodology. In the absence of a resource estimate in accordance with the JORC code an alternative method to the Geo-factor Rating method might consider past expenditure on the tenements and the uplift of value provided by encouraging result.

Past expenditures for MRG’s current tenements are not available from all the previous explorers of the same ground over the duration of modern exploration and reliance is mainly placed on the Geo-factor method.

GEO-FACTOR RATING METHOD

BASE VALUE

This represents the exploration cost for the current period of the tenements. The current Base Acquisition Cost (BAC) for exploration projects is considered to be the average expenditure for the first year of the licence tenure. Exploration Licences in Western Australia, for example, attract a minimum annual expenditure for the first three years of \$1,000 per block and annual rent of

\$113.50. A 15% administration fee is taken into account to imply a BAC of \$400 to \$450 per square kilometre. A similar approach based on expenditure commitments is taken for Prospecting Licences and Mining Leases.

| Licence Type | Expend. | Rent | Admin | Total | \$/km ² | BAC - Low | BAC - High |
|--------------------------------------|---------|--------|--------|----------|--------------------|-----------|------------|
| Exploration Licence (E, \$/block) | 1000 | 113.50 | 167.03 | 1,280.53 | 413 | 400 | 450 |
| Prospecting Licences (P, \$/Ha) | 40.00 | 2.20 | 6.33 | 48.53 | 4,853 | 5,000 | 5,500 |
| Mining Lease (M, \$/Ha) | 100.00 | 15.00 | 17.25 | 132.25 | 13,225 | 13,000 | 14,000 |

Sasak has equity as shown in the table in the tenements. A 40% discount is applied to applications (Grant Factor).

$$\text{Base Value} = [\text{Area}] * [\text{Grant Factor}] * [\text{Equity}] * [\text{Base Acquisition Cost}]$$

| Sasak Resources Australia Pty Ltd | | | | | | |
|-----------------------------------|-----------------------|-------|--------|----------|---------|-------|
| Tenement Factors | | | | | | |
| Project | Location | State | Equity | Km2 | Status | Grant |
| East Yilgarn Project | | | | | | |
| E38/2541 | Yelina | WA | 100% | 9.45 | Granted | 100% |
| E38/2543 | Burtville | WA | 100% | 6.30 | Granted | 100% |
| E38/2544 | Yamarna | WA | 100% | 15.75 | Granted | 100% |
| E39/1616 | Hope Campbell Hill | WA | 100% | 18.90 | Granted | 100% |
| E38/2547 | Ida Range | WA | 100% | 154.35 | Granted | 100% |
| E38/2548 | Beatrice May Bluff | WA | 100% | 318.15 | Granted | 100% |
| E38/2549 | Mt Smith | WA | 100% | 12.60 | Granted | 100% |
| E38/2550 | Great Victoria Desert | WA | 100% | 18.90 | Granted | 100% |
| E38/2551 | Great Victoria Desert | WA | 100% | 607.95 | Granted | 100% |
| E38/2553 | Great Victoria Desert | WA | 100% | 173.25 | Granted | 100% |
| E38/2554 | Little View Hill | WA | 100% | 182.70 | Pending | 60% |
| E38/2555 | Ernest Giles Range | WA | 100% | 15.75 | Granted | 100% |
| E38/2556 | Great Victoria Desert | WA | 100% | 100.80 | Granted | 100% |
| E38/2557 | Great Victoria Desert | WA | 100% | 485.10 | Granted | 100% |
| E38/2561 | Prenti Downs | WA | 100% | 31.50 | Granted | 100% |
| E38/2773 | East Yilgarn | WA | 100% | 179.55 | Pending | 60% |
| Fraser Range | | | | | | |
| E69/3104 | Fraser Range | WA | 100% | 220.50 | Pending | 60% |
| Mt Isa | | | | | | |
| EPM19306 | Davenport Downs | QLD | 100% | 37.80 | Pending | 60% |
| EPM19470 | Squirrel Hill | QLD | 100% | 6.30 | Pending | 60% |
| EPM19471 | Pulchera | QLD | 100% | 129.15 | Pending | 60% |
| | | | | 2,724.75 | | |

PROSPECTIVITY ASSESSMENT FACTORS

An assessment of the prospectivity of tenements was carried out. This includes a consideration of

- Regional mineralization, old and current workings and the validity of conceptual models.
- Local mineralization within the tenements and the application of conceptual models within the tenements.
- Identified anomalies warranting follow up within the tenements.
- The proportion of structural and lithological settings within the tenements and difficulty encountered by cover rocks and other factors.

| KILBURN RATING CRITERIA - SIMPLIFIED | | | | |
|--------------------------------------|--|---|--|--|
| Rating | Off Site Factor | On Site Factor | Anomaly Factor | Geological Factor |
| 1 | Indications of Prospectivity | Indications of Prospectivity | No targets outlined | Generally favourable geological environment |
| 2 | Resource targets Identified | Targets identified with successful early drilling | Exposure of mineralised zones or surface drilling (RAB) | Generally favourable lithology with structures or exposures of mineralised zones |
| 3 | Along Strike or adjacent to known mineralization | Grade intercepts on adjacent sections - Exploration Targets Estimated from sound evidence | Significant grade intercepts not yet linked on cross and long sections | Significant mineralised zones exposed in prospective host rocks |
| 4 | | Inferred Resource identified not yet estimated | Grade intercepts on adjacent sections | |

Assessments in each category are based on a set scale (see above and Appendix) and are multiplied together to arrive at a “prospectivity index”.

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$$\text{Prospectivity Index} = [\text{Off Site Factor}] * [\text{On Site Factor}] * [\text{Anomaly Factor}] * [\text{Geology Factor}]$$

| Sasak Resources Australia Pty Ltd | | | | | | | | | | |
|-----------------------------------|-----------------------|-------|----------|------|---------|------|---------|------|---------|------|
| Prospectivity Factors | | | | | | | | | | |
| Tenement | Project | State | Off Site | | On Site | | Anomaly | | Geology | |
| | | | Low | High | Low | High | Low | High | Low | High |
| East Yilgarn Project | | | | | | | | | | |
| E38/2541 | Yelina | WA | 1.40 | 1.45 | 1.50 | 1.55 | 1.60 | 1.65 | 1.50 | 1.55 |
| E38/2543 | Burtville | WA | 1.40 | 1.45 | 1.50 | 1.55 | 1.60 | 1.65 | 1.50 | 1.55 |
| E38/2544 | Yamarna | WA | 1.40 | 1.45 | 1.50 | 1.55 | 1.60 | 1.65 | 1.50 | 1.55 |
| E39/1616 | Hope Campbell Hill | WA | 1.40 | 1.45 | 1.50 | 1.55 | 1.60 | 1.65 | 1.50 | 1.55 |
| E38/2547 | Ida Range | WA | 1.40 | 1.45 | 1.50 | 1.55 | 1.60 | 1.65 | 1.50 | 1.55 |
| E38/2548 | Beatrice May Bluff | WA | 1.40 | 1.45 | 1.50 | 1.55 | 1.60 | 1.65 | 1.50 | 1.55 |
| E38/2549 | Mt Smith | WA | 1.40 | 1.45 | 1.50 | 1.55 | 1.60 | 1.65 | 1.50 | 1.55 |
| E38/2550 | Great Victoria Desert | WA | 1.40 | 1.45 | 1.50 | 1.55 | 1.60 | 1.65 | 1.50 | 1.55 |
| E38/2551 | Great Victoria Desert | WA | 1.40 | 1.45 | 1.50 | 1.55 | 1.60 | 1.65 | 1.50 | 1.55 |
| E38/2553 | Great Victoria Desert | WA | 1.40 | 1.45 | 1.50 | 1.55 | 1.60 | 1.65 | 1.50 | 1.55 |
| E38/2554 | Little View Hill | WA | 1.40 | 1.45 | 1.50 | 1.55 | 1.60 | 1.65 | 1.50 | 1.55 |
| E38/2555 | Ernest Giles Range | WA | 1.40 | 1.45 | 1.50 | 1.55 | 1.60 | 1.65 | 1.50 | 1.55 |
| E38/2556 | Great Victoria Desert | WA | 1.40 | 1.45 | 1.50 | 1.55 | 1.60 | 1.65 | 1.50 | 1.55 |
| E38/2557 | Great Victoria Desert | WA | 1.40 | 1.45 | 1.50 | 1.55 | 1.60 | 1.65 | 1.50 | 1.55 |
| E38/2561 | Prenti Downs | WA | 1.40 | 1.45 | 1.50 | 1.55 | 1.60 | 1.65 | 1.50 | 1.55 |
| E38/2773 | East Yilgarn | WA | 1.40 | 1.45 | 1.50 | 1.55 | 1.60 | 1.65 | 1.50 | 1.55 |
| Fraser Range | | | | | | | | | | |
| E69/3104 | Fraser Range | WA | 1.25 | 1.30 | 1.40 | 1.45 | 1.40 | 1.45 | 1.50 | 1.55 |
| Mt Isa | | | | | | | | | | |
| EPM19306 | Davenport Downs | QLD | 1.25 | 1.30 | 1.40 | 1.45 | 1.40 | 1.45 | 1.50 | 1.55 |
| EPM19470 | Squirrel Hill | QLD | 1.25 | 1.30 | 1.40 | 1.45 | 1.40 | 1.45 | 1.50 | 1.55 |
| EPM19471 | Pulchera | QLD | 1.25 | 1.30 | 1.40 | 1.45 | 1.40 | 1.45 | 1.50 | 1.55 |

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TECHNICAL VALUE

An estimate of technical value has been compiled for the tenements based on the base acquisition cost, area, grant status, equity and ratings for prospectivity.

$$\text{Technical Value} = [\text{Base Value}] * [\text{Prospectivity Index}]$$

| Sasak Resources Australia Pty Ltd | | | | | |
|-----------------------------------|-----------------------|-------|----------------------|-----------|-----------|
| Technical Value | | | | | |
| Tenement | Project | State | Technical Value, \$m | | |
| | | | Low | High | Preferred |
| East Yilgarn Project | | | | | |
| E38/2541 | Yelina | WA | 38,000 | 51,000 | 44,500 |
| E38/2543 | Burtville | WA | 38,000 | 51,000 | 44,500 |
| E38/2544 | Yamarna | WA | 38,000 | 51,000 | 44,500 |
| E39/1616 | Hope Campbell Hill | WA | 38,000 | 54,000 | 46,000 |
| E38/2547 | Ida Range | WA | 311,000 | 439,000 | 375,000 |
| E38/2548 | Beatrice May Bluff | WA | 642,000 | 905,000 | 773,500 |
| E38/2549 | Mt Smith | WA | 38,000 | 51,000 | 44,500 |
| E38/2550 | Great Victoria Desert | WA | 38,000 | 54,000 | 46,000 |
| E38/2551 | Great Victoria Desert | WA | 1,226,000 | 1,730,000 | 1,478,000 |
| E38/2553 | Great Victoria Desert | WA | 349,000 | 493,000 | 421,000 |
| E38/2554 | Little View Hill | WA | 221,000 | 312,000 | 266,500 |
| E38/2555 | Ernest Giles Range | WA | 38,000 | 51,000 | 44,500 |
| E38/2556 | Great Victoria Desert | WA | 203,000 | 287,000 | 245,000 |
| E38/2557 | Great Victoria Desert | WA | 978,000 | 1,380,000 | 1,179,000 |
| E38/2561 | Prenti Downs | WA | 64,000 | 90,000 | 77,000 |
| E38/2773 | East Yilgarn | WA | 217,000 | 306,000 | 261,500 |
| Fraser Range | | | | | |
| E69/3104 | Fraser Range | WA | 194,000 | 277,000 | 235,500 |
| Mt Isa | | | | | |
| EPM19306 | Davenport Downs | QLD | 33,000 | 47,000 | 40,000 |
| EPM19470 | Squirrel Hill | QLD | 28,000 | 37,000 | 32,500 |
| EPM19471 | Pulchera | QLD | 114,000 | 163,000 | 138,500 |
| | | | 4,846,000 | 6,829,000 | 5,837,500 |

The Sasak tenements have had no identifiable previous expenditure apart from desktop studies and remote sensing and it is considered that there is insufficient grounds to propose an alternative valuation by the Prospectivity Enhancement Multiplier method. Reliance is placed on the Geoscientific Rating Method for the valuation.

MARKET VALUE

In arriving at a fair market value for a particular exploration tenement, consideration is given to the current market for exploration properties in Australia and overseas. It is considered appropriate to apply a market premium to the technical value of the exploration potential of the tenements.

I have considered the Country risk and current market for exploration properties in Australia. An assessment of country risk and an assessment of the Business Climate have been provided by a specialist firm (source: www.coface.com). The rating for Australia is 'A1' for country risk and 'A1' for business climate which are considered to be low. This rating will affect the market factor in assessing market value.

The current market value for mineral projects in Australia is considered to be mildly buoyant and a market factor of **10% to 12.5%** has been applied to the technical value of the exploration projects.

$$\text{Market Value} = [\text{Technical Value}] * [\text{Adjusted Market Factor}]$$

| Sasak Resources Australia Pty Ltd | | | | | | | |
|-----------------------------------|-----------------------|-------|----------------|-------|-------------------|-----------|-----------|
| Market Value | | | | | | | |
| Tenement | Project | State | Market Premium | | Market Value, \$m | | |
| East Yilgarn Project | | | | | Low | High | Preferred |
| E38/2541 | Yelina | WA | 10.0% | 12.5% | 42,000 | 57,000 | 49,500 |
| E38/2543 | Burtville | WA | 10.0% | 12.5% | 42,000 | 57,000 | 49,500 |
| E38/2544 | Yamarna | WA | 10.0% | 12.5% | 42,000 | 57,000 | 49,500 |
| E39/1616 | Hope Campbell Hill | WA | 10.0% | 12.5% | 42,000 | 61,000 | 51,500 |
| E38/2547 | Ida Range | WA | 10.0% | 12.5% | 342,000 | 494,000 | 418,000 |
| E38/2548 | Beatrice May Bluff | WA | 10.0% | 12.5% | 706,000 | 1,018,000 | 862,000 |
| E38/2549 | Mt Smith | WA | 10.0% | 12.5% | 42,000 | 57,000 | 49,500 |
| E38/2550 | Great Victoria Desert | WA | 10.0% | 12.5% | 42,000 | 61,000 | 51,500 |
| E38/2551 | Great Victoria Desert | WA | 10.0% | 12.5% | 1,349,000 | 1,946,000 | 1,647,500 |
| E38/2553 | Great Victoria Desert | WA | 10.0% | 12.5% | 384,000 | 555,000 | 469,500 |
| E38/2554 | Little View Hill | WA | 10.0% | 12.5% | 243,000 | 351,000 | 297,000 |
| E38/2555 | Ernest Giles Range | WA | 10.0% | 12.5% | 42,000 | 57,000 | 49,500 |
| E38/2556 | Great Victoria Desert | WA | 10.0% | 12.5% | 223,000 | 323,000 | 273,000 |
| E38/2557 | Great Victoria Desert | WA | 10.0% | 12.5% | 1,076,000 | 1,553,000 | 1,314,500 |
| E38/2561 | Prenti Downs | WA | 10.0% | 12.5% | 70,000 | 101,000 | 85,500 |
| E38/2773 | East Yilgarn | WA | 10.0% | 12.5% | 239,000 | 344,000 | 291,500 |
| Fraser Range | | | | | | | |
| E69/3104 | Fraser Range | WA | 10.0% | 12.5% | 213,000 | 312,000 | 262,500 |
| Mt Isa | | | | | | | |
| EPM19306 | Davenport Downs | QLD | 10.0% | 12.5% | 36,000 | 53,000 | 44,500 |
| EPM19470 | Squirrel Hill | QLD | 10.0% | 12.5% | 31,000 | 42,000 | 36,500 |
| EPM19471 | Pulchera | QLD | 10.0% | 12.5% | 125,000 | 183,000 | 154,000 |
| | | | | | 5,331,000 | 7,682,000 | 6,506,500 |

VALUATION SUMMARY

The range of values is based on the Geoscientific Rating Method described above and in the Appendix. This method is considered appropriate and preferable to the alternative methods as it is based on the perceived exploration potential of the projects rather than past expenditures which is not documented.

The Geoscientific Rating Method (Kilburn method) is essentially a technique to define a value based on geological prospectivity. The method appraises a variety of mineral property characteristics. This is the preferred valuation method for Sasak's current tenements as it focusses on the future prospectivity of the area.

The Method systematically assesses and grades these four key technical attributes of a tenement to arrive at a series of multiplier factors. The Basic Acquisition Cost (BAC) is the important input to the Kilburn Method and it is calculated by summing the annual rent, statutory expenditure for a period of 12 months and administration fees.

Based on an assessment of the factors involved I estimate the value for exploration projects to be in the range A\$5.3 million to A\$7.7 million with a preferred value of A\$6.5 million.

This valuation is effective on 7 April 2013.

APPENDIX 1

MINERAL ASSETS VALUATION METHODOLOGY FOR EXPLORATION TENEMENTS

FAIR MARKET VALUE OF MINERAL ASSETS

Mineral assets include, but are not limited to, mining and exploration tenements held or acquired in connection with the exploration, the development of, and the production from those tenements together with all plant, equipment and infrastructure owned or acquired for the development, extraction and processing of minerals in connection with those tenements.

| Mineral assets classification | |
|--------------------------------------|---|
| Exploration areas | Mineralization may or may not have been identified, but where a mineral resource has not been defined. |
| Advanced exploration areas | Mineral resources have been identified and their extent estimated (possibly incompletely). This includes properties at the early stage of assessment. |
| Pre-development projects | A positive development decision has not been made. This includes properties where a development decision has been negative, properties on care and maintenance and properties held on retention titles. |
| Development projects | Committed to production, but which, are not yet commissioned or not initially operating at design levels. |
| Operating Mines | Mineral properties, particularly mines and processing plants, which have been fully commissioned and are in production. |

The fair market value of a mineral asset is the estimated amount of money or the cash equivalent or some other consideration for which the mineral asset should change hands between a willing buyer and a willing seller in an arm’s length transaction. Each party is assumed to have acted knowledgeably, prudently and without compulsion.

The value of a mineral asset usually consists of two components,

- The underlying or Technical Value which is an assessment of a mineral asset’s future net economic benefit under a set of appropriate assumptions, excluding any premium or discount for market, strategic or other considerations.
- The Market Component, which is a premium relating to market, strategic or other considerations which, depending on circumstances at the time, can be either positive, negative or zero.

When the technical and market components of value are combined the resulting value is referred to as the market value. A consideration of country risk should also be taken into account for overseas projects.

The value of mineral assets is time and circumstance specific. The asset value and the market premium (or discount) changes, sometimes significantly, as overall market conditions, commodity prices, exchange rates, political and country risk change.

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REGULATORY AUTHORITIES

Mineral asset valuations are governed by the VALMIN code and ASIC Practice Note 43 in Australia and by the CIMVAL code, NI43-101 and TSXV Appendix 3G in Canada

THE VALMIN CODE

The four main requirements of the *VALMIN Code* are

Transparency The report needs to explain how the valuation was done and the assumptions used in calculating the value. The objective is to provide sufficient information that other people can come up with the same answer.

Materiality This means the valuer has to ensure that all important data that could have a significant impact on the valuation is included in the report.

Competence The valuer must be competent at doing valuations. The person needs to be an expert in the particular exploration target being evaluated. Typically the person needs at least 5 years' experience in that commodity.

Independence. The valuer must act in a professional manner and not favour the buyer or the seller. In other words the price must be set at a "fair market value". To achieve independence, the valuer must not receive any special benefit from doing the study.

The decisions as to the valuation methodology or methodologies to be used and the content of the Report are solely the responsibility of the Expert or Specialist whose decisions must not be influenced by the Commissioning Entity. The Expert or Specialist must state the reasons for selecting each methodology used in the Report. Methods chosen must be rational and logical and be based upon reasonable grounds.

The Expert or Specialist should make use of valuation methods suitable to the Mineral or Petroleum Assets or Mineral or Petroleum Securities under consideration. Selection of the appropriate valuation method will depend on, inter alia:

- (a) the purpose of the Valuation;
- (b) the development status of the Mineral or Petroleum Assets;
- (c) the amount and reliability of relevant information;
- (d) the risks involved in the venture; and
- (e) the relevant market conditions for commodities and/or shares.

The Expert or Specialist should choose, discuss and disclose the selected valuation method(s) appropriate to the Mineral or Petroleum Assets or Mineral or Petroleum Securities under consideration, stating the reasons why the particular valuation method(s) have been selected in relation to those factors set out in Paragraph 39 and to the adequacy of available data. It may also

be desirable to discuss why a particular valuation method has not been used. The disclosure should give a sufficient account of the valuation method(s) used so that another Expert could understand the procedure used and assess the Valuation. Should more than one valuation method be used and different valuations result, the Expert or Specialist should comment on the reason(s) for selecting the Value adopted.

Australian Securities and Investment Commission – Regulatory Guides RG111 and RG112

It is not the ASIC's role or intention to limit the expert's exercise of skill and judgment in selecting the most appropriate method or methods of valuation. However, it is appropriate for the expert to consider:

- (a) the discounted cash flow method;
- (b) the amount which an alternative acquirer might be willing to offer if all the securities in the target company were available for purchase;

The ASIC does not suggest that this list is exhaustive or that the expert should use all of the methods of valuation listed above. The expert should justify the choices of valuation method and give a sufficient account of the method used to enable another expert to replicate the procedure and assess the valuation. It may be appropriate for the expert to compare the figures derived by more than one method and to comment on any differences.

The complex valuations in an expert's report necessarily contain significant uncertainties. Because of this an expert who gives a single point value will usually be implying spurious accuracy to his or her valuation. An expert should, however, give as narrow a range of values as possible. An expert report becomes meaningless if the range of values is too wide. An expert should indicate the most probable point within the range of values if it is feasible to do so.

The expert should carry out sufficient enquiries or examinations to establish reasonable grounds for believing that any profit forecasts, cash flow forecasts and unaudited profit figures that are used in the expert's report, and have been prepared on a reasonable basis. If there are material variations in method or presentation the expert should adjust for or comment on them in the report.

The expert should discuss the implications to his or her valuation if:

- (a) the current market value of the subject of the report is likely to change because of market volatility (for example, boom or depression); or
- (b) the current market value differs materially from that derived by the chosen method.

VALUATION METHODOLOGY FOR EXPLORATION TENEMENTS

Valuation of exploration properties is exceptionally subjective. If an economic resource is subsequently identified then a new valuation will be dramatically higher, or alternatively if expenditure of further exploration dollars is unsuccessful then it is likely to decrease the value of the Tenements. There are a number of generally accepted procedures for establishing the value of exploration properties and, where relevant, the use of more than one such method to enable a

balanced analysis and a check on the result has been undertaken. The value will always be presented as a range with the preferred value identified. The preferred value need not be the median value, and will be determined by the Independent Expert based on his experience.

The Independent Expert, when determining a value for a mineral asset, must assess a range of technical issues prior to selection of a valuation methodology. Often this will require seeking advice from a specialist in specific areas. The key issues are:

- geological setting and style of mineralization
- level of knowledge of the geometry of mineralization in the district
- mining history, including mining methods
- location and accessibility of infrastructure
- milling and metallurgical characteristics of the mineralization
- results of exploration including geological mapping, costeaning and drilling of interpretation of geochemical anomalies
- parameters used to identify geophysical and remote sensing data anomalies
- location and style of mineralization identified on adjacent properties
- appropriate geological models

In addition to these technical issues the Independent Expert needs to make a judgement about the market demand for the type of property, commodity markets, financial markets and stock markets. The technical value of a property should not be adjusted by a “market factor” unless there is a marked discrepancy between the technical value and the market value. When this is done the factor should be clearly identified.

Where there are identified reserves it is appropriate to use financial analysis methods to estimate the net present value (NPV) of the properties. This technique has deficiencies which include assessment of only a very narrow area of risk, namely the time value of money given the real discount rate, and the underlying assumption that a static approach is applicable to investment decision making, which is clearly not the case.

When assessing value of exploration properties with no identified mineral resources or only inferred resources it is inappropriate to prepare any form of financial analysis to determine the net present value. The valuation of exploration tenements or licences, particularly those without identified resources, is highly subjective and a number of methods are appropriate to give a guide as discussed below.

All of these valuation methods are relatively independent of the location of the mineral property. Consequently the valuer will make allowance for access to infrastructure etc. when choosing a preferred value. It is observed that the Prospectivity Exploration Multiplier (PEM) is heavily based on

the expenditure, while the Kilburn Geoscience Rating (Kilburn) is more heavily based on opinions of the prospectivity hence tenements can have marked variation in value between the methods. If the Kilburn assessment is high and the PEM is low it indicates effective well focussed exploration, if the Kilburn is low and the PEM high it suggests that the tenement is considered to have lower prospectivity.

PROSPECTIVITY ENHANCEMENT MULTIPLIER (PEM) OR MULTIPLE OF EXPLORATION EXPENDITURE (MEE)

Past expenditure on a tenement and/or future committed exploration expenditure can establish a base value from which the effectiveness of exploration can be assessed. Where exploration has produced documented results a PEM can be derived which takes into account the valuer’s judgment of the prospectivity of the tenement and the value of the database.

PEM Factors Used in this valuation method

| PEM Range | Criteria |
|------------------|---|
| 0.2 – 0.5 | Exploration (past and present) has downgraded the tenement prospectivity, no mineralization identified |
| 0.5 – 1.0 | Exploration potential has been maintained (rather than enhanced) by past and present activity from regional mapping |
| 1.0 – 1.3 | Exploration has maintained, or slightly enhanced (but not downgraded) the prospectivity |
| 1.3 – 1.5 | Exploration has considerably increased the prospectivity (geological mapping, geochemical or geophysical) |
| 1.5 – 2.0 | Scout Drilling has identified interesting intersections of mineralization |
| 2.0 – 2.5 | Detailed Drilling has defined targets with potential economic interest. |
| 2.5 – 3.0 | A resource has been defined at Inferred Resource Status, no feasibility study has been completed |
| 3.0 – 4.0 | Indicated Resources have been identified that are likely to form the basis of a prefeasibility study |
| 4.0 – 5.0 | Indicated and Measured Resources have been identified and economic parameters are available for assessment. |

Future committed exploration expenditure is discounted to 60% by some valuers to reflect the uncertainty of results and the possible variations in exploration programmes caused by future undefined events. Expenditure estimates for tenements under application are often discounted to 60% of the estimated value by some valuers to reflect uncertainty in the future granting of the tenement. The PEM Factors are defined in the table.

GEO-FACTOR RATING METHOD (KILBURN)

Valuation is based on a calculation in which the geological prospectivity, commodity markets, financial markets, stock markets and mineral property markets are assessed independently. The Kilburn method is essentially a technique to define a value based on geological prospectivity. The method appraises a variety of mineral property characteristics:

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- location with respect to any off-property mineral occurrence of value, or favourable geological, geochemical or geophysical anomalies;
- location and nature of any mineralization, geochemical, geological or geophysical anomaly within the property and the tenor of any mineralization known to exist on the property being valued;
- number and relative position of anomalies on the property being valued;
- geological models appropriate to the property being valued.

The Method systematically assesses and grades these four key technical attributes of a tenement to arrive at a series of multiplier factors. The Basic Acquisition Cost (BAC) is the important input to the Kilburn Method and it is calculated by summing the annual rent, statutory expenditure for a period of 12 months and administration fees.

The current Base Acquisition Cost (BAC) for exploration projects is considered to be the average expenditure for the first year of the licence tenure. Exploration Licences in Western Australia, for example, attract a minimum annual expenditure for the first three years of \$1,000 per block and annual rent of \$113.50. A 15% administration fee is taken into account to imply a BAC of \$4000 to \$450 per square kilometre. A similar approach based on expenditure commitments is taken for Prospecting Licences and Mining Leases.

| Licence Type | Expend. | Rent | Admin | Total | \$/km ² | BAC - Low | BAC - High |
|--------------------------------------|---------|--------|--------|----------|--------------------|---------------|---------------|
| Exploration Licence (E, \$/block) | 1000 | 113.50 | 167.03 | 1,280.53 | 413 | 400 | 450 |
| Prospecting Licences (P, \$/Ha) | 40.00 | 2.20 | 6.33 | 48.53 | 4,853 | 5,000 | 5,500 |
| Mining Lease (M, \$/Ha) | 100.00 | 15.00 | 17.25 | 132.25 | 13,225 | 13,000 | 14,000 |

The multipliers or ratings and the criteria for rating selection across these four factors are summarized in the following table.

| KILBURN GEO-FACTOR RATING CRITERIA - MODIFIED | | | | | |
|--|---------------|---|---|---|--|
| | Rating | Address - Off Property | Mineralization - On Property | Anomalies | Geology |
| Low | 0.5 | Very little chance of mineralization, Concept unsuitable to environment | Very little chance of mineralization, Concept unsuitable to environment | Extensive previous exploration with poor results - no encouragement | Generally Unfavourable lithology |
| Average | 1 | Indications of Prospectivity, Concept validated | Indications of Prospectivity, Concept validated | Extensive previous exploration with encouraging results - regional targets | Deep alluvium Covered Generally favourable geology |
| | 1.5 | RAB Drilling with some scattered results | Exploratory sampling with encouragement, Concept validated | Several early stage targets outlined from geochemistry and geophysics | Shallow alluvium Covered Generally favourable geology (50-60%) |
| | 2 | Significant RC drilling leading to advance project status | RAB &/or RC Drilling with encouraging intercepts reported | Several well defined surface targets with some RAB drilling | Exposed favourable lithology (60-70%) |
| | 2.5 | Grid drilling with encouraging results on adjacent sections | Diamond Drilling after RC with encouragement | Several well defined surface targets with encouraging drilling results | Strongly favourable lithology (70-80%) |
| High | 3 | Resource areas identified | Advanced Resource definition drilling - early stage | Several significant sub economic targets - no indication of volume | Highly prospective geology (90 - 100%) |
| | 3.5 | Along strike or adjacent to known mineralization at Pre-Feasibility Stage | Resource areas identified | Sub economic targets of possible significant volume - early stage drilling | |
| | 4 | Along strike or adjacent to Resources at Definitive Feasibility Stage | Along strike or adjacent to known mineralization at Pre-Feasibility Stage | Marginal economic targets of significant volume - advanced drilling | |
| | 4.5 | Along strike or adjacent to Development Stage Project | Along strike or adjacent to Resources at Definitive Feasibility Stage | Marginal economic targets of significant volume - well drilled at Inferred Resource stage | |
| Very High | 5 | Along strike or adjacent to Operating Mine | Along strike or adjacent to Development Stage Project | Several significant ore grade correlatable intersections with estimated resources | |

Estimate of project value is carried out on a tenement by tenement basis and uses four calculations as shown below. The value estimate is shown as a range with a preferred value.

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$$\text{Base Value} = [\text{Area}] * [\text{Grant Factor}] * [\text{Equity}] * [\text{Base Acquisition Cost}]$$

$$\text{Prospectivity Index} = [\text{Off Site Factor}] * [\text{On Site Factor}] * [\text{Anomaly Factor}] * [\text{Geology Factor}]$$

$$\text{Technical Value} = [\text{Base Value}] * [\text{Prospectivity Index}]$$

$$\text{Market Value} = [\text{Technical Value}] * [\text{Market Premium Factor}]$$

VALUATION OF RESOURCES BY COMPARABLE TRANSACTIONS

If a property in the recent past was the subject of an arms-length transaction, for either cash or shares (i.e. from a company whose principal asset was the mineral property) then this forms the most realistic starting point, provided that the deal is still relevant in today's market. Complicating matters is the knowledge that properties rarely change hands for cash, except for liquidation purposes, estate sales, or as raw exploration property when sold by an individual prospector, or entrepreneur.

Any underlying royalty or net profits interests or rights held by the original vendor of the claims should be deducted from the resultant property value before determination of the company's interest. Also, reductions in value should be made where environmental, legal or political sensitivities could seriously retard the development of exploration properties.

It should be noted again that exploration is cyclical, and in periods of low metal prices there is often no market, or a market at very low prices, for ordinary exploration acreage (inventory property) unless it is combined with a significant mineral deposit, or with other incentives.

Truly Comparable Transactions are rare for early stage properties without defined drill targets. This is natural in a recession, as companies focus on brownfields exploration. Inflated prices paid for property in fashionable areas should not be discounted because they reflect the true market value of a property at the transaction date. If however, the market sentiment is not so buoyant then adjustments must be made.

When only a resource or defined body of mineralisation has been outlined and its economic viability has still to be established (i.e. there is no ore reserve) then a **Comparable Transactions** approach is usually applied, often stated as a percentage of metal value. This can be applied to Mineral Resource estimates and Exploration Targets in accordance with the JORC code with appropriate discounts for risk in the different categories.

| Resource Category Discounts | |
|-----------------------------|-----|
| Measured Resource | 80% |
| Indicated Resource | 70% |
| Inferred Resource | 60% |
| Exploration Target | 50% |

With gold projects the method requires allocating a dollar value to resource ounces of gold in the ground. This may also apply to well established zones of mineralisation which have not formally

been categorised under the JORC code. An additional risk weighting may be appropriate in these circumstances.

The dollar value must take into account a number of aspects of the resources including:

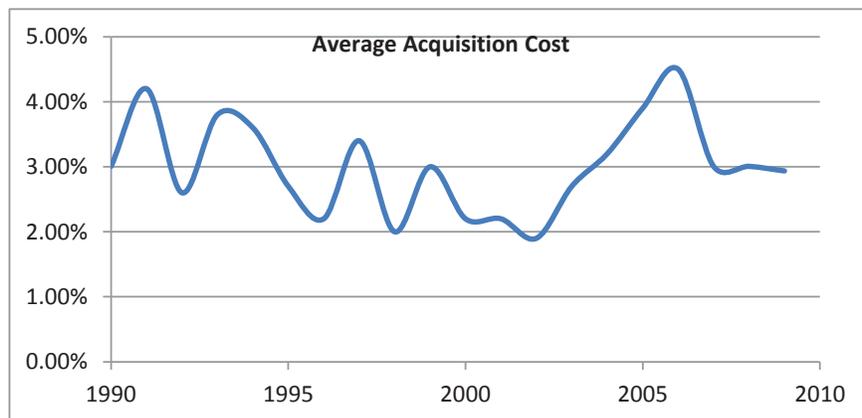
- The confidence in the resource estimation (the JORC Category).
- The quality of the resource (grade and recovery characteristics)
- Possible extensions of the resource in adjacent areas
- Exploration potential for other mineralisation within the tenements
- Presence and condition of a treatment plant within the project
- Proximity of toll treatment facilities, infrastructure, development and capital expenditure aspects

A similar approach can be taken with other metals including uranium or base metals sold on the spot market and benchmarks are similar to gold properties. Value is estimated as a percentage of contained value once appropriate discounts for uncertainty relating to resource categorisation are taken into account. An example of appropriate discounts for Rare Earths, Iron Ore and Base Metals is included below but these must be considered on a case-by-case basis.

| Operations Factors | Gold | Rare Earths | Iron Ore | Base Metals |
|---------------------------------|----------------|--------------|---------------|---------------|
| Recovery | 100% | 60% | 88.00% | 100% |
| Mining | 100% | 100% | 90.00% | 100% |
| Processing | 100% | 50% | 80.00% | 90% |
| Rail | 100% | 75% | 80.00% | 90% |
| Port | 100% | 90% | 70.00% | 90% |
| Capex | 100% | 50% | 70.00% | 90% |
| Marketing | 100% | 75% | 85.00% | 90% |
| Total Operating Discount | 100.00% | 7.59% | 21.11% | 59.05% |

The AAC for gold projects lies in the range of 2% to 5%. The data set does not differentiate between resource categories and it is implicit that this has been taken into account with risk related discounts. Information on sales internationally has shown a pattern for 'Apparent Acquisition Cost' (AAC) over the last twenty years as shown in the following chart.

Comparative transactions in the gold industry over the last 20 years



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For the purpose of valuation the Average Acquisition Cost for the lower, preferred and higher value is selected at the 25th, 50th and 75th percentiles.

| Percentile | AAC Percentiles | | | | |
|--------------------------|------------------|------------------|------------------|------------------|------------------|
| | 10 th | 25 th | 50 th | 75 th | 90 th |
| Average Acquisition Cost | 2.2% | 2.5% | 3.0% | 3.4% | 3.9% |

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GLOSSARY OF TECHNICAL TERMS

| | |
|---------------------------|--|
| aeolian | Formed or deposited by wind. |
| aerial photography | Photographs of the earth's surface taken from an aircraft. |
| aeromagnetic | A survey undertaken by helicopter or fixed-wing aircraft for the purpose of recording magnetic characteristics of rocks by measuring deviations of the earth's magnetic field. |
| airborne geophysical data | Data pertaining to the physical properties of the earth's crust at or near surface and collected from an aircraft. |
| aircore | Drilling method employing a drill bit that yields sample material which is delivered to the surface inside the rod string by compressed air. |
| alluvial | Pertaining to silt, sand and gravel material, transported and deposited by a river. |
| alluvium | Clay silt, sand, gravel, or other rock materials transported by flowing water and deposited in comparatively recent geologic time as sorted or semi-sorted sediments in riverbeds, estuaries, and flood plains, on lakes, shores and in fans at the base of mountain slopes and estuaries. |
| alteration | The change in the mineral composition of a rock, commonly due to hydrothermal activity. |
| amphibolite facies | An assemblage of minerals formed at moderate to high temperatures (450°C to 700°C) during regional metamorphism. |
| andesite | An intermediate volcanic rock composed of andesine and one or more mafic minerals. |
| anomalies | An area where exploration has revealed results higher than the local background level. |
| anticline | A fold in the rocks in which strata dip in opposite directions away from the central axis. |
| antiformal | An anticline-like structure. |
| Archaean | The oldest rocks of the Precambrian era, older than about 2,500 million years. |
| assayed | The testing and quantification metals of interest within a sample. |
| Au | Chemical symbol for gold. |
| auger sampling | A drill sampling method using an auger to penetrate upper horizons and obtain a sample from lower in the hole. |
| axial plane | The plane that intersects the crest or trough of a fold, about which the limbs are more or less symmetrically arranged. |
| basalts | A volcanic rock of low silica (<55%) and high iron and magnesium composition, composed primarily of plagioclase and pyroxene. |
| polymetallics | A non-precious metal, usually referring to copper, lead and zinc. |
| bedrock | Any solid rock underlying unconsolidated material. |
| BIF | A rock consisting essentially of iron oxides and cherty silica, and possessing a marked banded appearance. |
| BLEG sampling | Bulk leach extractable gold analysis; an analytical method for accurately determining low levels of gold. |
| brittle | Rock deformation characterised by brittle fracturing and brecciation. |
| Cainozoic | An era of geological time spanning the period from 65 million years ago to the present. |
| carbonate | Rock of sedimentary or hydrothermal origin, composed primarily of calcium, magnesium or iron and CO ₃ . Essential component of limestones and marbles. |
| chert | Fine grained sedimentary rock composed of cryptocrystalline silica. |
| chlorite | A green coloured hydrated aluminium-iron-magnesium silicate mineral (mica) common in metamorphic rocks. |

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| clastic | Pertaining to a rock made up of fragments or pebbles (clasts). |
| clays | A fine-grained, natural, earthy material composed primarily of hydrous aluminium silicates. |
| colluvium | A loose, heterogeneous and incoherent mass of soil material deposited by slope processes. |
| conduits | The main pathways that facilitate the movement of hydrothermal fluids. |
| conglomerate | A rock type composed predominantly of rounded pebbles, cobbles or boulders deposited by the action of water. |
| copper | A reddish metallic element, used as an electrical conductor and the basis of brass and bronze. |
| decide | An extrusive rock composed mainly of plagioclase, quartz and pyroxene or hornblende or both. |
| depletion | The lack of gold in the near-surface environment due to leaching processes during weathering. |
| diamond drill hole | Mineral exploration hole completed using a diamond set or diamond impregnated bit for retrieving a cylindrical core of rock. |
| dilatational | Open space within a rock mass commonly produced in response to folding or faulting. |
| dolerite | A medium grained mafic intrusive rock composed mostly of pyroxenes and sodium-calcium feldspar. |
| DMP | Department of Minerals & Petroleum, WA. |
| ductile | Deformation of rocks or rock structures involving stretching or bending in a plastic manner without breaking. |
| dykes | A tabular body of intrusive igneous rock, crosscutting the host strata at a high angle. |
| en-echelon | Repeating parallel, but offset, occurrences of lenticular bodies such as ore veins. |
| erosional | The group of physical and chemical processes by which earth or rock material is loosened or dissolved and removed from any part of the earth's surface. |
| fault zone | A wide zone of structural dislocation and faulting. |
| feldspar | A group of rock forming minerals. |
| felsic | An adjective indicating that a rock contains abundant feldspar and silica. |
| folding | A term applied to the bending of strata or a planar feature about an axis. |
| foliated | Banded rocks, usually due to crystal differentiation as a result of metamorphic processes. |
| follow-up | A term used to describe more detailed exploration work over targets generated by regional exploration. |
| g/t | Grams per tonne, a standard volumetric unit for demonstrating the concentration of precious metals in a rock. |
| gabbro | A fine to coarse grained, dark coloured, igneous rock composed mainly of calcic plagioclase, clinopyroxene and sometimes olivine. |
| geochemical | Pertains to the concentration of an element. |
| geophysical | Pertains to the physical properties of a rock mass. |
| GIS database | A system devised to present partial data in a series of compatible and interactive layers. |
| gneissic | Coarse grained metamorphic rocks characterised by mineral banding of the light and dark coloured constituent minerals. |
| granite | A coarse-grained igneous rock containing mainly quartz and feldspar minerals and subordinate micas. |
| granoblastic | A term describing the texture of a metamorphic rock in which the crystals are of equal size. |
| granodiorite | A coarse grained igneous rock composed of quartz, feldspar and hornblende and/or biotite. |
| greenschist | A metamorphosed basic igneous rock which owes its colour and schistosity to abundant chlorite. |

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| greenstone belt | A broad term used to describe an elongate belt of rocks that have undergone regional metamorphism to greenschist facies. |
| greywackes | A sandstone like rock, with grains derived from a dominantly volcanic origin. |
| GSWA | Geological Survey of Western Australia. |
| gypsum | Mineral of hydrated, or water-containing, calcium sulphate. |
| halite | Impure salt deposit formed by evaporation. |
| hanging wall | The mass of rock above a fault, vein or zone of mineralization. |
| hematite | Iron oxide mineral, Fe ₂ O ₃ . |
| hinge zone | A zone along a fold where the curvature is at a maximum. |
| hydrothermal fluids | Pertaining to hot aqueous solutions, usually of magmatic origin, which may transport metals and minerals in solution. |
| igneous | Rocks that have solidified from a magma. |
| infill | Refers to sampling or drilling undertaken between pre-existing sample points. |
| insitu | In the natural or original position. |
| interflow | Refers to the occurrence of other rock types between individual lava flows within a stratigraphic sequence. |
| intermediate | A rock unit which contains a mix of felsic and mafic minerals. |
| intrusions | A body of igneous rock which has forced itself into pre-existing rocks. |
| intrusive contact | The zone around the margins of an intrusive rock. |
| ironstone | A rock formed by cemented iron oxides. |
| isoclinal | A series of folds that dip in the same direction at the same angle. |
| joint venture | A business agreement between two or more commercial entities. |
| komatiitic | Magnesium-rich mafic to ultramafic extrusive rock. |
| laterite | A cemented residuum of weathering, generally leached in silica with a high alumina and/or iron content. |
| lead | A metallic element, the heaviest and softest of the common metals. |
| lineament | A significant linear feature of the earth's crust, usually equating a major fault or shear structure. |
| lithological contacts | The contacts between different rock types. |
| lithotypes | Rock types. |
| magnetite | A mineral comprising iron and oxygen which commonly exhibits magnetic properties. |
| metamorphic | A rock that has been altered by physical and chemical processes involving heat, pressure and derived fluids. |
| metasedimentary | A rock formed by metamorphism of sedimentary rocks. |
| monzogranite | A granular plutonic rock containing approximately equal amounts of orthoclase and plagioclase feldspar, but usually with a low quartz content. |
| Moz | Millions of ounces. |
| Mt | Million Tonnes. |
| mylonite | A hard compact rock with a streaky or banded structure produced by extreme granulation of the original rock mass in a fault or thrust zone. |
| nickel | Silvery-white metal used in alloys. |
| nickel laterite | Nickel ore hosted within the laterite profile, usually derived from the weathering of olivine-rich ultramafic rocks. |
| open pit | A mine working or excavation open to the surface. |
| Orthoimage | A geographically located composite plan using aerial photography as a base. |
| outcrops | Surface expression of underlying rocks. |
| palaeochannels | An ancient preserved stream or river. |
| pegmatite | A very coarse grained intrusive igneous rock which commonly occurs in dyke-like bodies containing lithium-boron-fluorine-rare earth bearing minerals. |
| pisolitic | Describes the prevalence of rounded manganese, iron or alumina-rich chemical concretions, frequently comprising the upper portions of a laterite profile. |
| playa lake | Broad shallow lakes that quickly fill with water and quickly evaporate, characteristic of deserts. |

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| polymictic | Referring to coarse sedimentary rocks, typically conglomerate, containing clasts of many different rock types. |
| porphyries | Felsic intrusive or sub-volcanic rock with larger crystals set in a fine groundmass. |
| ppb | Parts per billion; a measure of low level concentration. |
| Proterozoic | An era of geological time spanning the period from 2,500 million years to 570 million years before present. |
| pyroxenite | A coarse grained igneous intrusive rock dominated by the mineral pyroxene. |
| quartz reefs | Old mining term used to describe large quartz veins. |
| quartzofeldspathic | Compositional term relating to rocks containing abundant quartz and feldspar, commonly applied to metamorphic and sedimentary rocks. |
| quartzose | Quartz-rich, usually relating to clastic sedimentary rocks. |
| RAB drilling | A relatively inexpensive and less accurate drilling technique involving the collection of sample returned by compressed air from outside the drill rods. |
| rafts | A relatively large block of foreign rock incorporated into an intrusive magma. |
| RC drilling | A drilling method in which the fragmented sample is brought to the surface inside the drill rods, thereby reducing contamination. |
| regolith | The layer of unconsolidated material which overlies or covers insitu basement rock. |
| residual resources | Soil and regolith which has not been transported from its point or origin. Insitu mineral occurrence from which valuable or useful minerals may be recovered. |
| rhyolite | Fine-grained felsic igneous rock containing high proportion of silica and feldspar. |
| rock chip sampling | The collection of rock specimens for mineral analysis. |
| saline | Salty |
| saprock | Zone of weathered rock preserved within the weathered profile. |
| saprolite | Disintegrated, in-situ rock, partially decomposed by the chemical and physical processes of oxidation and weathering. |
| satellite imagery | The images produced by photography of the earth's surface from satellites. |
| schist | A crystalline metamorphic rock having a foliated or parallel structure due to the recrystallisation of the constituent minerals. |
| scree | The rubble composed of rocks that have formed down the slope of a hill or mountain by physical erosion. |
| sedimentary | A term describing a rock formed from sediment. |
| sericite | A white or pale apple green potassium mica, very common as an alteration product in metamorphic and hydrothermally altered rocks. |
| shale | A fine grained, laminated sedimentary rock formed from clay, mud and silt. |
| sheared | A zone in which rocks have been deformed primarily in a ductile manner in response to applied stress. |
| sheet wash | Referring to sediment, usually sand size, deposited over broad areas characterised by sheet flood during storm or rain events. Superficial deposit formed by low temperature chemical processes associated with ground waters, and composed of fine grained, water-bearing minerals of silica. |
| silcrete | Superficial deposit formed by low temperature chemical processes associated with ground waters, and composed of fine grained, water-bearing minerals of silica. |
| silica | Dioxide of silicon, SiO ₂ , usually found as the various forms of quartz. |
| sills | Sheets of igneous rock which is flat lying or has intruded parallel to stratigraphy. |
| silts | Fine-grained sediments, with a grain size between those of sand and clay. |
| soil sampling | The collection of soil specimens for mineral analysis. |

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|--------------------------|---|
| stocks | A small intrusive mass of igneous rock, usually possessing a circular or elliptical shape in plan view. |
| strata | Sedimentary rock layers. |
| stratigraphic | Composition, sequence and correlation of stratified rocks. |
| stream sediment sampling | The collection of samples of stream sediment with the intention of analysing them for trace elements. |
| strike | Horizontal direction or trend of a geological structure. |
| subcrop | Poorly exposed bedrock. |
| sulphide | A general term to cover minerals containing sulphur and commonly associated with mineralization. |
| supergene | Process of mineral enrichment produced by the chemical remobilisation of metals in an oxidised or transitional environment. |
| syenite | An intrusive igneous rock composed essentially of alkali feldspar and little or no quartz and ferromagnesian minerals. |
| syncline | A fold in rocks in which the strata dip inward from both sides towards the axis. |
| talc | A hydrous magnesium silicate, usually formed due to weathering of magnesium silicate rocks. |
| tectonic | Pertaining to the forces involved in or the resulting structures of movement in the earth's crust. |
| tholeiitic | A descriptive term for a basalt with little or no olivine. |
| thrust fault | A reverse fault or shear that has a low angle inclination to the horizontal. |
| tremolite | A grey or white metamorphic mica of the amphibole group, usually occurring as bladed crystals or fibrous aggregates. |
| ultramafic | Igneous rocks consisting essentially of ferromagnesian minerals with trace quartz and feldspar. |
| veins | A thin infill of a fissure or crack, commonly bearing quartz. |
| volcaniclastics | Pertaining to clastic rock containing volcanic material. |
| volcanics | Formed or derived from a volcano. |
| zinc | A lustrous, bluish-white metallic element used in many alloys including brass and bronze. |