

20 FEB 2012 ASX ANNOUNCEMENT

Collie South Coal project analysis identifies 7 Key Targets.....drilling and ground survey work to follow.

RECAP OF TENEMENT OPPORTUNITY:

The tenement is located directly south of the Collie Basin and is centred 40km SE of the town of Collie which is located 160km SSE of Perth in Western Australia. The tenement also surrounds the lesser Wilga Basin which is known to contain coal. (Fig 4)

Coal is currently mined from the Collie Basin by two companies. The coal is dominantly used to generate base load electricity for south west Western Australia. Potential exists for coal to be exported overseas using the port of Bunbury which is located 55km to the west and to which the area is connected by rail.

- Region has known **resources of 2.4 billion tonnes** and confirmed reserves in **excess of 700 million tonnes**.
- Collie South target sits within this region and has potential **consistent in magnitude**.
- **Potential for new coal bearing basins** identified in acquired tenements, with limited previous exploration.
- Collie South Coal project covers **101 Blocks covering >50 km²** adjacent to the Collie basin 26km x 13km x 1.2km thick.
- Adjacent known Coal fields have **similar geological settings**.
- **Low sulphur and low ash equates to a lower emission coal**.
- Region is currently home to **operating Coal mines**.
- Recent acquisition of Griffin Coal (within the Region) for **\$750 million, highlights the potential**.
- **Sumitomo/Kansai \$1.2 Billion** purchase of coal (sourced from region) fired power station further highlights value of coal in region.
- Open cut coal extraction, **suitable for export**, is development objective.
- **Augments MRG's existing WA assets**.

Consistent with the MRG Board's view towards **favourable conditions for Gold, Copper and Coal** over coming years.

The Board of MRG is pleased to advise Compilation of all available data on the tenement and environs has identified 7 priority targets.



Company Information

Directors

Albert Pietrzak
Non Executive Chairman

Andrew Van Der Zwan
Managing Director

Shane Turner
Non Executive Director
& Company Secretary

MRG aspires to become an investment of choice, focused on:

The discovery of gold, base metals and other commodities which fit its growth strategy

ABN: 83 148 938 532

ASX Code: MRQ

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

PO Box 237
Ballarat, VIC 3353

Phone: +61 3 5330 5800

Phone: (Mel) +61 3 9642 8575

Fax: +61 3 5333 1667

Website: www.mrgmetals.com.au

Email: info@mrgmetals.com.au

Quick Facts

as at February 20, 2012

Shares on Issue: 88 million

Market Cap: A\$23 million

Options: 44 million

Cash in Bank: approx. A\$5 million

Debt: Nil

Current Projects:

Kalgoorlie East (Gold, Nickel)

Collie South (Coal, Bauxite)

Xanadu (Gold)

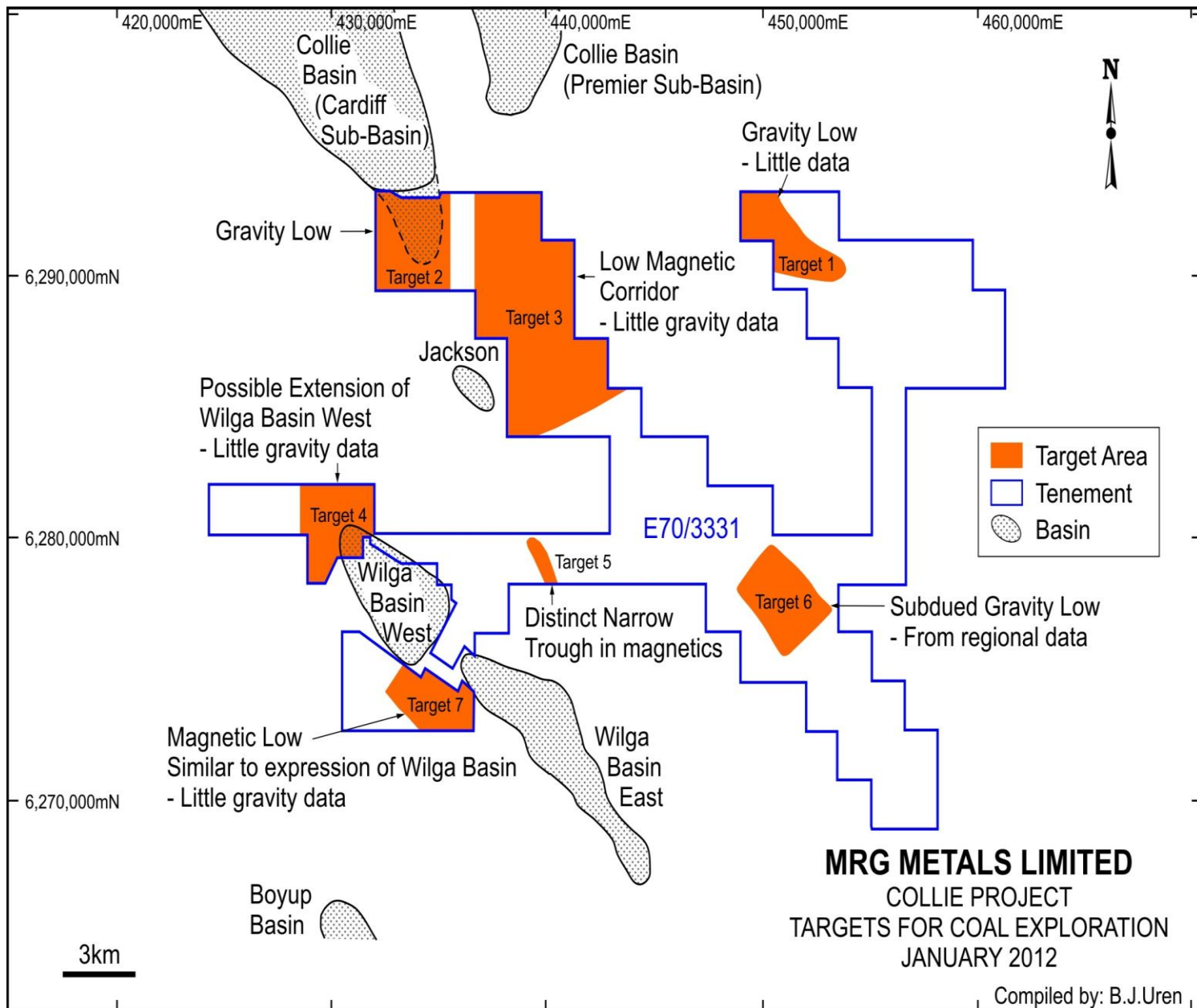
Braemore Battery (Gold, Copper)

Diorite (Gold)

Bell Chambers (Gold, Copper)

Mulgul (Gold, Copper)





MRG METALS LIMITED				
COLLIE COAL PROJECT - EXPLORATION TARGETS				
Target No.	Location	Priority	Criteria	Proposed Exploration Methods
1	NE Arm of EL	2	Weak gravity low. Little data	Gravity survey & 2 early drill traverses
2	NW Arm of EL Immediately S of Cardiff Sub-basin	1	S end of Cardiff Sub- basin. Gravity low	Drill traverse
3	NW Arm of EL	2	Low magnetic corridor. Little gravity data	Gravity survey & 1 early drill traverse
4	SW Arm of EL Immediately NW of Wilga Basin West	1	NW end of Wilga W basin. Little gravity data. Coal present in 1 drill hole	Gravity survey
5	Central part of EL	3	Distinct, narrow deep magnetic trough	1 drill traverse
6	SE Arm of EL	4	Subdued gravity low from regional data	Gravity survey
7	SW Arm of EL S & between Wilga Basin E & W	2	Magnetic low. Little gravity data	Gravity survey

Fig 1: COAL TARGET ZONES



The best targets are the north-west extension of Wilga Basin West and the south-east extension of the Cardiff Sub basin. Follow up by scout drilling and gravity surveys will commence as soon as access is attained. Once this is done, detailed planning and budgeting of follow up work can begin.

Description of Targets:

Inspection of the data over the known basins clearly demonstrates that gravity is a very powerful tool giving a very strong response to the less dense sediments overlying basement.

Airborne magnetics has a far less distinct response to the Palaeozoic / Mesozoic sediments. The sediments are non-magnetic and their effect on the variably magnetic basement is simply one of blanketing the response of the basement. As such, the effect is a lessening of amplitude of the magnetic response. Consequently, magnetics is imprecise in locating edges of the basin. However, a thick basin with sharp, faulted edges may be more easily perceived than a slowly thinning, or dish shaped basin.

Known basins appear to have more subdued topography than areas of outcrop of basement.

Whilst gravity is a powerful tool, care needs to be exercised when interpreting the contour plans. It is vital to appreciate the sparse distribution of stations in places. A number of critical areas have quite irregularly and sparsely located stations which can lead to contouring which may not be a true representation of reality.

Seven targets have been selected as being worthy of follow up. Of these 2 are considered to be first priority, 3 second priority, 1 third priority and 1 fourth priority. The details of these are provided in the above table and their locations shown on the previous A4 index map and 1:50,000 scale. (Fig 1)

Target 1 – This target is located in the NE arm of the E.L. There is a possible gravity low in this area based on pretty flimsy evidence and the State Airmag shows a subdued response. The target is outside the area of the low level Airmag Survey. (Fig 2) The only nearby drill hole data is from R237 which has possibly a single metre of Palaeozoic / Mesozoic above basement which was intersected at 36m. The log of hole R236 has been requested from the Mines Department. This target could be explored by a gravity survey and a single line of scout drilling. It is considered a second priority target. The drilling could entail a traverse of 8 holes drilled 300m apart and 3 gravity traverses with stations every 300m.

Target 2 – This target lies in the NW arm of the E.L. immediately SE of the Cardiff Sub-basin of the main Collie Basin. The original gravity survey which is used in several publications indicates that the Cardiff Sub-basin terminates at the NW boundary of the current E.L. However, later data shows a lobe swinging slightly south from the axis of the Cardiff Sub-basin. However, this contouring appears to be based on flimsy gravity data which warrants further work. A line of 8 holes have been drilled just south of the current E.L. boundary. The logs of these are not currently available and are subject to a data request from the Mines Department. The text of a report indicates that 7 of these holes intersected Permian rocks before shallow basement. A single shallow hole located about 700m south of this traverse intersected mudstone.

This target could be quickly tested by a traverse of drill holes. The traverse could comprise 8 holes at a spacing of 300m. This is considered to be a first priority target.

Target 3 – This target is located in the NW arm of the E.L. on the southern extension of the Collie Basin. To the north of here the Collie basin is split by a basement high into the Cardiff and Premier Sub-basins. This basement high could recede in a southerly direction as it does to the north. The target area is corridor of low, subdued magnetic signature and only sparse gravity data is available. There are no drill holes in the area for which logs are available. Mapped granite basement outcrops on the eastern side of this area should be checked for their extent. The target could be tested by a gravity survey and two traverses of scout drilling. The drilling could entail 14 holes spaced 500m apart and 5 gravity traverses 2km apart with stations every 300m.

This is considered to be a second priority target.

Target 4 – This target is the northern extension of the Wilga Basin West. Three historical drill holes within the E.L. intersected Palaeozoic / Mesozoic rocks with one, CW-5, intersecting several coal seams. The thickest of these was 2.6m thick at a depth of 40m. Holes 300m either side intersected sediments but no significant coal. Coal was also intersected in hole W41A which is just outside the E.L. in this area.

This is considered the best target on the tenement and should be followed up by a detailed gravity survey. This could entail gravity traverses at 500m spacing with a station spacing of 300m.



Target 5 – This target is located in the central part of the prospect where a very distinct narrow, deep continuous magnetic trough crosses a narrow arm of the E.L. There is no gravity or drilling data in this area. This is a low priority target as it is possible that the trough in the magnetics is a basement feature. It is however considered worthy of follow up by a short traverse of scout drilling.

Target 6 – This target is located in the SE arm of the E.L. in an area of a very weak gravity low manifest in the regional data. There is no drilling data currently available but logs of BB-206 and 207 have been requested from the Mines Department. The State Airmag shows the target to be located on an extensive, broad magnetically low corridor parallel to the strike of the basins but drilling elsewhere along this corridor demonstrates that the magnetic pattern is not necessarily diagnostic of the presence of sediments. This is considered a fourth priority target which could be explored initially by a gravity survey on lines spaced 1km apart and stations at 300m apart.

Target 7 – This target is located in the detached piece of the E.L. in the far south west of the area. It lies south of the basement high which separates the two parts of the Wilga Basin. This has a similar magnetic expression to the Wilga Basin and there is little gravity or drill hole data. This is considered to be of second priority and could be tested initially by a gravity survey. This could have a line spacing of 1km and a station spacing of 300m.

A mixture of scout drilling and gravity surveying is recommended to explore the above targets.

SOURCES OF DATA

Data used in this compilation has been derived from many sources and is considered to be exhaustive. Wamex reports from the Mines Department have been one of the principal sources.

Logs of drill holes located in strategic positions are absent from the existing data. A request for this data, which is almost certainly held on closed file but should be available on open file, has been made to the Mines Department. The holes involved are BB-201 to 210, BB-213, R236 and R351 to 358. Acquisition of this data could take some time.

Data was also sourced from Mines Department and Department of Water publications and two searches of drill hole data held in the Department of Water electronic data base were performed.

Some drill logs and other data was supplied by the holder of the E.L., Paul Askins.

Regional gravity data was obtained from the GADDs electronic data base of Geoscience Australia.

No apparently good quality map showing basement outcrop has been found. Several maps show interpreted basement. The most reliable looking map of basement is that contained in Fowler 1969. This has been used on the final compilation plan. Clearly, before any serious work is commenced in target area an outcrop map should be made.

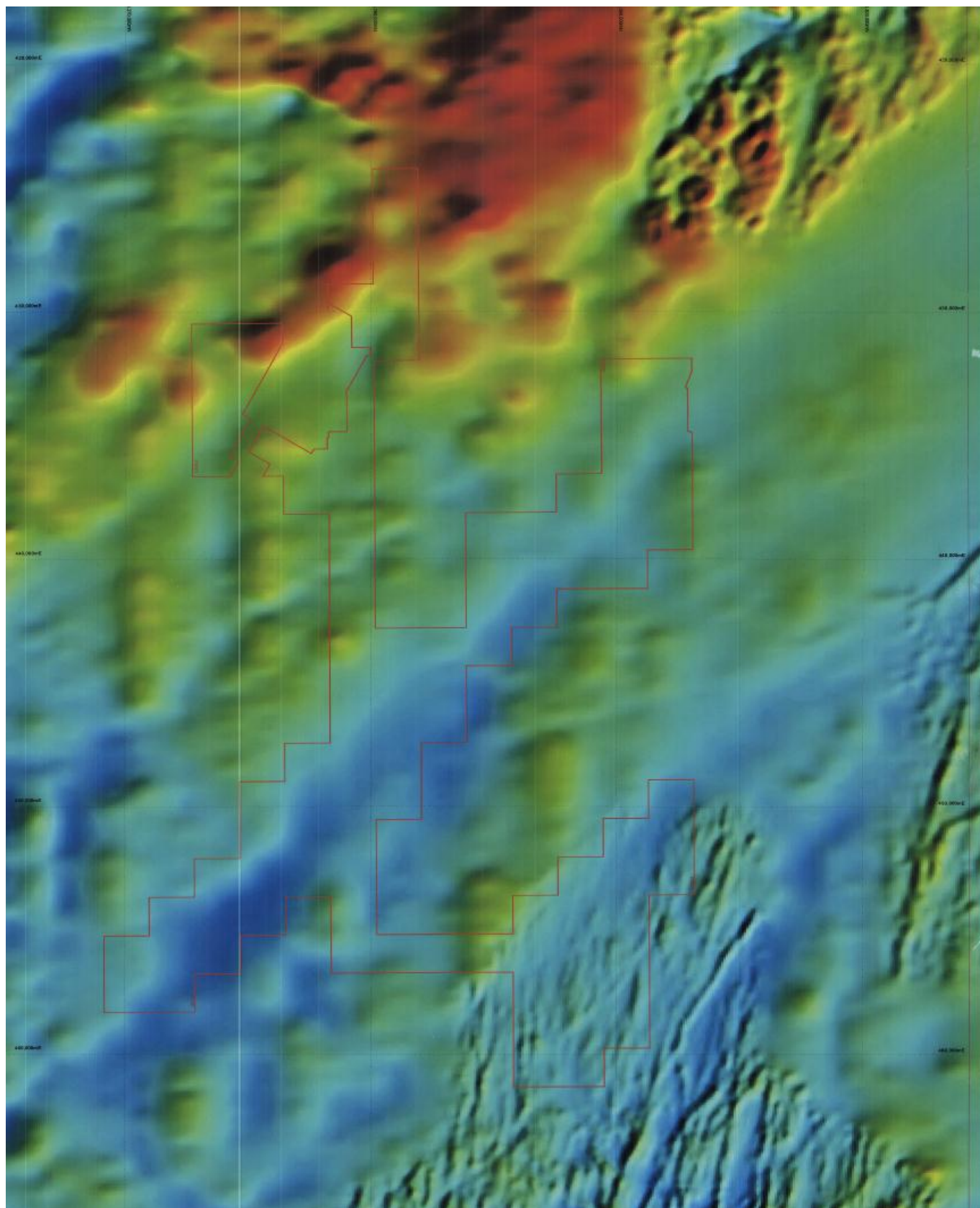


Figure 2: Collie Compilation - Airmag

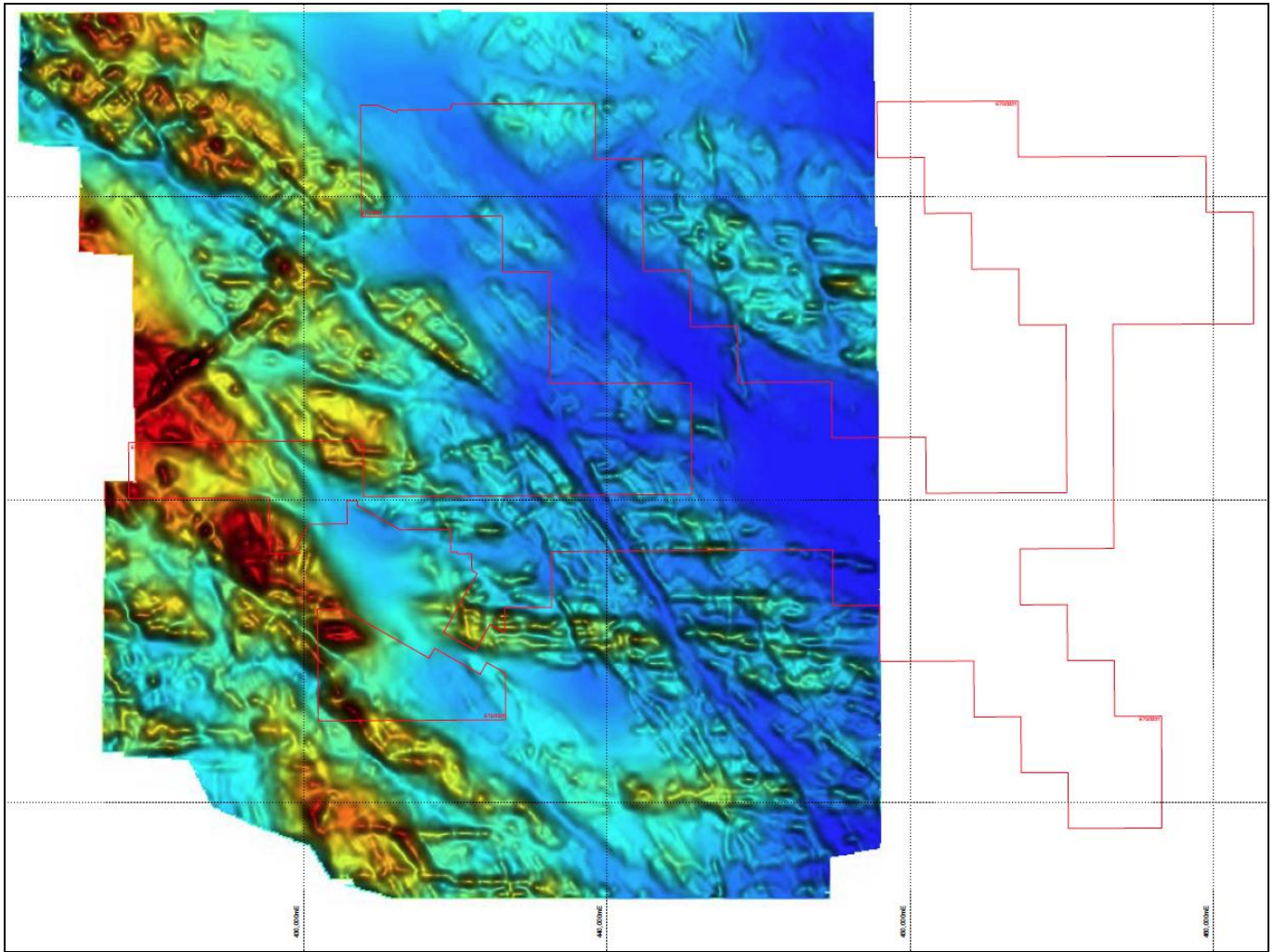


Figure 3: Collie Airmag Low Level RTP_vsun A0 50k (Version 2)

PRESENTATION OF DATA

Data has been compiled onto a set of 10 1:50,000 scale plans which have a common framework to allow simple overlaying of different sheets on a light table. These sheets are provided in this report as pdf files.

In addition, the State Airmag coverage for the 4 standard 1:100,000 sheets surrounding the tenement were produced. These are provided as pdf files. These assist in putting the large scale airmag into context.

Location of drill holes is known but the logs for many of the prior drill holes are not available. Such holes are mostly those from the Department of Water database

GEOLOGICAL SETTING

Coal is currently known to occur in 3 basins in the south west of Western Australia. These are the Collie Basin, composed of the Premier and Cardiff sub-basins, Wilga Basin composed of Wilga West and Wilga East sub-basins and the Boyup Basin. A small occurrence of Mesozoic / Palaeozoic is known between the Collie and Wilga Basins. This is known as Jackson.

Le Blanc Smith (1993) provides an excellent, very comprehensive description of the Collie Coalfield. Much of the following detail comes from this publication.

Each coal bearing basin occurs as a NW oriented outlier of Palaeozoic / Mesozoic within the Archaean granite gneiss basement. The sequence which is dominated by Permian terrestrial sediments. The basal unit is a tillite. A thin Cretaceous sequence overlies the Palaeozoic sequence. The sedimentary sequence is known to be at least 900m thick.



The basins are fault bounded especially on the western margin. The sedimentary sequence is commonly intricately disrupted by faulting and steep local dips are common especially close to the western margin. Maximum depth of burial is estimated to be 8km.

The Palaeozoic / Mesozoic sequence outcrops rarely, being covered by a variable thickness of Cenozoic sediment. Outcrop of Archaean basement is common.

The area is traversed by the Beaufort paleochannel which is of Eocene age. According to Waterhouse et al (1994), it snakes its way in a generally W and NW direction centrally across the tenement area. The trace of the channel supplied by the tenement vendor is not consistently faithful to the drill hole data. Drill data E of 453,000E is consistent with the trace shown on the computer file but not that around 448,000E. Holes near 440,000E and W to 435,000E are consistent with the trace. The paleochannel has no particular relevance to exploration but it is useful to be aware of its existence. Suffice to say that there is thick cover over some of the area with 30 to 40m thickness not uncommon.

Collie coal is black, sub-bituminous to bituminous. The coal has a specific energy of 18-22MJ/kg (as received), moisture of approximately 25% and ash of 3-10%. The seams are generally less than 3m thick with the very notable exception of the Hebe seam which averages 13.5m.

Historically export of Collie coal has been prevented by its propensity to spontaneously combust. This apparently has been overcome in recent times by shipping in sealed holds.

COAL OPERATIONS BACKGROUND:

Collie Coal:

The Collie Basin, Wilga Basin and Boyup Basin, are fault-bounded, graben structures containing Permian siliciclastics, within granite/granite gneiss of the Archaean Yilgarn craton. Coal deposits were first discovered in the Collie Basin in the late 19th Century. Mining began in 1898 and the area remains the only producing coalfield in Western Australia.

The Basin is around 26km long and 13km wide, up to nearly 2km thick, containing over 50 individual seams in three distinct Coal Measures. The Collie Coalfield has seen 37 mines operating (24 underground mines extracting 50 million tonnes and 13 open cut mines producing nearly 140 million tonnes) and over 30 different seams exploited since its discovery.

Coal reserves in the Collie Basin are estimated to be around 2,400 million tonnes. It is believed that around 600 million tonnes can be successfully extracted, representing a 100 year energy resource. Total stated open cut coal resources within the Collie Basin from Wesfarmers, Premier Coal and Griffin Coal are:

522 million tonnes measured category;

102 million tonnes indicated category; and 99 million tonnes inferred category.

Total stated recoverable reserves (by both companies) are 299 million tonnes (open cut extraction).

Two coal producers operate in the area – Griffin Coal Mining and Wesfarmers Premier Coal – with three mines currently operational. Around 6.5 million tonnes of coal is mined each year and valued at more than \$270million.

Collie Coal provides 42 per cent of Western Australia's electricity needs. It is also used in cement making, heating and the production of chemicals and metals.

Wilga Basin:

The Wilga Basin, located 30 km south east of Collie, is geologically similar to the Collie Basin but has a much smaller area (39 km²) and a maximum stratigraphic thickness of 300m of Permian sedimentary rocks. The sequence consists of variably thick sandstone units interbedded with coalseams, mudstone, conglomerate and shale. The sediments are structurally preserved in two small fault-bounded grabens. (Wilga Basin West and Wilga Basin East).



It was discovered in 1918 during a regional exploration and shaft-sinking program searching for additional coal in the vicinity of Collie. Western Aluminium, CRA Exploration, Mobile Energy Minerals, and, most recently, Western Collieries have undertaken exploration over the basin.

The coal seams show a substantial range in grade and thickness from in excess of 3m to centimetre scale. The seams are complexly split by intra- seam partings of sandstone and siltstone; however, three laterally persistent zones can be identified. The Table gives some of the principal attributes of the Wilga and Boyup coals. The coal quality is largely analogous to the Collie coals. Resources are: Inferred 50 Mt of open pit coal, and 200 Mt of underground coal (1990, pre JORC).

Quality Innovative Exploration Targets:

Most of the drilling has been limited to depths of less than 300m. In the Premier mine for example, there are 12 major coal seams from 2-12m thick, with Hebe the largest at 12m thick. Collie Coal is very low in sulphur and ash content and has no associated methane so it is more environmentally friendly than other coal types. At Premier mine, coal is generally around 4-7% ash, 27% volatiles, 42% fixed carbon and 0.6% sulphur at 25% moisture.

Maximum vitrinite reflectance averages 0.43 in the Muja Coal Measures and 0.60 in the deeper Premier and Ewington Coal Measures. On a modified Coded Commercial Classification System the coal type is hurnic with a range between code 2 (vitrific) and code 7 (inertic) and reactivities constituting up to 80%. The coal rank is (meta) sub- bituminous in the Muja Coal Measures and crosses the vitrinite reflectance boundary (0.5%) to (hypo) bituminous in the Ewington and Premier Coal Measures. Specific energy is 18.0-22.0 MJ/kg (as received) and 29.0 to 31.9 MJ/kg (dry ash free), moisture content is approximately 25% (ar), ash content is 3-10% (ar), volatile matter is 22-37 % (ar), fixed carbon is 37-50 % (ar) and 54-61% (daf), and sulfur is 0.29-0.49%.



Figure 4: Location of Collie Basin, Western Australia.

Andrew Van Der Zwan
Managing Director

The information in this report, as it relates to Exploration Results for the Collie Project, is based on information compiled and/or reviewed by Mr. Bruce Uren, who is a member of the Australasian Institute of Mining and Metallurgy (AusIMM). Mr. Uren is a consultant to the Company and has the relevant experience with the mineralisation reported on to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr. Uren consents to the inclusion in the report of the matters based on the information in the form and context in which they appear.