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Australia

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30 October 2012

Mr Ian Craig  
Companies Manager  
National Stock Exchange of Australia

**NSX Announcement - MGT Resources Limited (NSX:MGS)**

**Replacement Prospectus and Opening of the Offer**

The Board of MGT Resources Limited is pleased to announce that it has lodged a replacement prospectus ('Replacement Prospectus') with ASIC dated 29 October 2012, which replaces the prospectus dated 11 October 2012 ('Original Prospectus') to raise up to \$2,000,000 for a Public Offering on the Australian Securities Exchange.

Please find attached the Replacement Prospectus complete with application form.

On behalf of the Board of MGT Resources,

Yours sincerely,

Alexander Moody  
Company Secretary



Resources

# PROSPECTUS

**MGT RESOURCES LIMITED**

ACN 131 715 645

For an Offer of up to 10,000,000 Shares at an issue price of \$0.20 per share to raise up to \$2,000,000

The Minimum Subscription (5,000,000 Shares at an issue price of \$0.20 per Share to raise \$1,000,000) under the Offer is underwritten by Patersons Securities Limited

THIS IS AN IMPORTANT DOCUMENT AND SHOULD BE READ IN ITS ENTIRETY.

IF YOU ARE IN DOUBT ABOUT WHAT YOU SHOULD DO, PLEASE CONTACT YOUR STOCKBROKER, LAWYER, ACCOUNTANT OR OTHER PROFESSIONAL ADVISER IMMEDIATELY.

THE SHARES OFFERED UNDER THIS PROSPECTUS SHOULD BE CONSIDERED SPECULATIVE.

THIS IS A REPLACEMENT PROSPECTUS DATED 29 OCTOBER, WHICH REPLACES THE PROSPECTUS DATED 11 OCTOBER 2012 ISSUED BY MGT RESOURCES LIMITED.



Lead Manager and Underwriter of the Minimum Subscription Amount (\$1,000,000)

 **PATERSONS**  
SECURITIES

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# SECTION 1 - IMPORTANT INFORMATION

## Prospectus Information

This Replacement Prospectus (Prospectus) for MGT Resources Limited ACN 131 715 645 is dated 29 October 2012 and was lodged with the ASIC on that date. Neither the ASIC, the ASX nor their respective officers take any responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates.

No Shares will be issued on the basis of this Prospectus later than 13 months after the date of this Prospectus. The Company will apply within seven days after the date of this Prospectus for the admission of the Company on to the official list of ASX and seek the official quotation of its Shares.

This Prospectus is an important document and prospective investors should read this Prospectus in its entirety before making any decision to invest in Shares in the Company. If prospective investors have any doubt as to their course of action they should consult their stockbroker, lawyer, accountant, or other professional adviser. The Shares offered by this Prospectus are of a speculative nature.

## Defined Terms and Other Matters

Certain terms and abbreviations used in this Prospectus have defined meanings which are set out in the defined terms, acronyms and abbreviations in Section 15.

Throughout this Prospectus, all financial amounts are expressed in Australian Dollars (\$) unless otherwise stated. Revenues and expenditures disclosed in this Prospectus are recognised exclusive of the amount of goods and services tax, unless otherwise disclosed.

Any discrepancies between totals and sums and components in tables contained in this Prospectus are due to rounding.

## Electronic Prospectus

A copy of this Prospectus can be downloaded from the website of the Company at [www.mgt.net.au](http://www.mgt.net.au). The Offer pursuant to this Prospectus in electronic form is only available to persons receiving this Prospectus in Australia. Potential investors should download and read the entire Prospectus before considering applying for Shares.

A hard copy of this Prospectus will be provided free of charge to any person in Australia while the Offer is current. Please contact the Company (contact details are set out in the Corporate Directory on the inside back cover of this Prospectus) for such a copy.

## Exposure Period

Pursuant to section 727(3) of the Corporations Act, this Prospectus is subject to an Exposure Period of 7 days from the date of lodgement with the ASIC. ASIC may extend the Exposure Period by a further 7 days. The Exposure Period enables this Prospectus to be examined by market participants prior to the raising of funds. Applications will not be processed until expiry of the Exposure Period. No preference will be conferred on Applications received during the exposure period. If any deficiency in this Prospectus is identified during the Exposure Period, Applications that have been received may need to be dealt with in accordance with section 724 of the Corporations Act.

This Prospectus will be made available in soft copy format during the Exposure Period from the Company's website: [www.mgt.net.au](http://www.mgt.net.au).

## Application

Applications may only be made by completing a paper or electronic Application Form attached to or accompanying the Prospectus. The Corporations Act prohibits any person from passing an Application Form to any other person unless it is attached to or accompanied by a paper copy of the Prospectus or a complete and unaltered electronic copy of the Prospectus.

The Application Form included in this Prospectus may only be distributed if it is included in or accompanied by a complete and unaltered copy of this Prospectus. The Application Form contains a declaration that the investor has personally received the complete and unaltered Prospectus prior to completing the Application Form.

The Company will not accept a completed Application Form if it has reason to believe that the Applicant has not received a complete and unaltered copy of this Prospectus or if it has reason to believe that the Application Form has been altered or tampered with in any way.



## Forward Looking Statements

This Prospectus contains forward looking statements which are identified by words such as 'may', 'could', 'believes', 'expects' and 'intends' and other similar words that involve risks and uncertainties.

These statements are based on an assessment of present economic and operating conditions, and on a number of assumptions regarding future events and actions that, as at the date of this Prospectus, are expected to take place.

Such forward looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of the Company, the Directors and our management. The Company cannot and does not give any assurance that the results, performance or achievements expressed or implied by the forward looking statements contained in this Prospectus will actually occur and investors are cautioned not to place undue reliance on these forward looking statements.

The Company has no intention to update or revise forward looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this Prospectus, except where required by law.

You should note that these forward looking statements are subject to various risk factors that could cause the Company's actual results to differ materially from the results expressed or anticipated in these statements. These risk factors are set out in Section 7 of this Prospectus.

## Disclaimer

No person is authorised to give any information or make any representation in connection with the Offer which is not contained in this Prospectus. Any information or representation not contained in this Prospectus may not be relied on as having been authorised by the Company or the Directors. You should rely only on information in this Prospectus.

## Foreign Jurisdictions

This Prospectus does not constitute an offer in any place in which, or to any person to whom, it would not be lawful to make such an offer.

In particular, the distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

It is the responsibility of non-Australian resident investors to obtain all necessary approvals for applying for Shares pursuant to this Prospectus. The return of a completed Application Form will be taken by the Company to constitute a representation and warranty by the Applicant that all approvals necessary in the jurisdiction in which the Applicant resides have been obtained.

## Suitability of Investment and Risk Factors

This document is important and should be read in its entirety before deciding to participate in the Offer. This does not take into account the investment objectives, financial or taxation or particular needs of any Applicant.

Before making any investment in the Company, each Applicant should consider whether such an investment is appropriate to his/her particular needs, and considering their individual risk profile for speculative investments, investment objectives and individual financial circumstances.

Each Applicant should consult his/her stockbroker, lawyer, accountant or other professional adviser without delay. Some of the risk factors that should be considered by potential investors are outlined in Section 7.

No person named in this Prospectus, nor any other person, guarantees the performance of the Company or repayment of capital or any return on investment made pursuant to this Prospectus.

## Reporting of Exploration Results and Mineral Resources

The Executive Summary of the Independent Geologist's Report (Section 8) was compiled by Minnelex Pty Ltd (the author of the Independent Geologist's Report).

All information of this type is expressed in terms of the 2004 edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves" ("JORC Code").

The information about the Dalcouth resource at MLA 20547 in this Prospectus that relates to the JORC Code information is based on information compiled by Mr Robert Pyper, who is a Fellow of the Australasian Institute of Mining and Metallurgy. Mr Pyper has sufficient experience which is relevant to the style of mineralisation and the type of deposit under consideration and to the activity which he is undertaking 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 Pyper consents to the inclusion in the Prospectus of the matters based on his information in the form and context in which they appear.

The information about all resources other than the Dalcouth resource at MLA20547 in this Prospectus that relates to the JORC Code information is based on information compiled by Mr Gerard Stapleton, who is a Fellow of the Australasian Institute of Mining and Metallurgy. Mr Stapleton has sufficient experience which is relevant to the style of mineralisation and the type of deposit under consideration and to the activity which he is undertaking 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 Stapleton consents to the inclusion in the Prospectus of the matters based on his information in the form and context in which they appear.

## SECTION 2 - CORPORATE DIRECTORY

### DIRECTORS AND KEY PERSONNEL

Mr. Jonathan Back	Executive Chairman and Managing Director
Mr. Gary Kuo	Executive Director and Chief Operations Officer
Mr. Robert Vagnoni	Non-Executive Director
Mr. George Monemvasitis	Non-Executive Director
Mr. Li Hai Jun	Non-Executive Director

Ms. Jacqueline Butler                      Chief Financial Officer

Mr. Alexander Moody                      Company Secretary

### REGISTERED OFFICE

c/o Duncan Dovico, Level 12, 90 Arthur Street  
North Sydney, NSW 2060  
Telephone:        +61 2 9262 1122  
Fax:                +61 2 9299 5175  
Email:             info@mgt.net.au  
Web:                www.mgt.net.au

### PROPOSED ASX CODE: MGS

### SHARE REGISTRY

Computershare Investor Services Pty Ltd  
GPO Box 52, Melbourne, Victoria 3001  
Telephone:        1300 552 270 (within Australia)  
                      +61 3 9415 4000 (outside Australia)

### SOLICITORS TO THE COMPANY

HWL Ebsworth Lawyers  
Level 14, Australia Square  
264-278 George Street  
Sydney NSW 2000

### INVESTIGATING ACCOUNTANT

Duncan Dovico Risk and Assurance Pty Ltd  
Level 12, 90 Arthur Street  
North Sydney, NSW 2060

### AUDITOR

Duncan Dovico Chartered Accountants  
Level 12, 90 Arthur Street  
North Sydney, NSW 2060

### LEAD MANAGER & UNDERWRITER OF THE MINIMUM SUBSCRIPTION AMOUNT

Patersons Securities Limited  
Level 48, 264 George Street  
Sydney, NSW 2000

### INDEPENDENT GEOLOGIST

Minnelex Pty Ltd  
283 Huntingdale Street  
Pullenvale, Qld 4069

## SECTION 3 - CHAIRMAN'S LETTER

Dear Investor,

On behalf of the Directors, it is my pleasure to invite you to subscribe for Shares in MGT Resources Limited (MGT or the Company). The Company has been listed on the official list of the National Stock Exchange of Australia since 2008 and now seeks to be admitted to the Official List of the Australian Securities Exchange as we complete the steps towards being a tin producer. The Company is seeking to raise up to \$2,000,000 by the issue of up to 10,000,000 ordinary shares at an issue price of \$0.20 each (Offer). The Offer is partially underwritten by Patersons Securities Limited up to the \$1,000,000 minimum subscription under the Offer. Subject to shareholder approval being obtained and the Company complying with the requirements of the NSX (in relation to delisting on the NSX) and the requirements of the ASX (in relation to listing on the ASX), the Company will voluntarily withdraw from the official list of the NSX and will list on the official list of the ASX.

MGT's journey to becoming a tin producer began in April 2009 when the Company acquired the majority interest in Xtreme Resources Ltd (now MGT Mining Limited), a company with significant tin production capacity and gold exploration assets. Tin had often been overlooked within the universe of base metals, however the Board identified strong market fundamentals for tin as its use in electronics continues to grow, while many existing producers experience diminishing production. This includes the largest mine in South America, which produces 10% of global supply shutting in 2017, whilst tin output is expected to fall from the world's two largest producers, Indonesia and China. The market dynamics today are such that tin is in short supply due to demand from the electronics industry and the emerging Asian economies. Tin faces a supply shortage as old mines close, grades decline, and there is limited new supply coming on-stream. The resultant tin price has risen from US\$15,000/ton to over \$22,000/t since January 2010. The latest estimates from the US Geological Survey report world tin reserves standing at 4.8 million tonnes, which represents a decline in reserve estimates since 1990.

MGT has a tin project in the Mt Garnet area of Northern Queensland, and has recently completed a major upgrade of MGT Mining's tin production facilities at the Mt Veteran Mill, spending approximately \$4 million over the past two years. One of MGT's significant points of difference is that it now has a fully commissioned mill for production with an input capacity of 70,000 tpa. The mill is not currently operating, however MGT aims to commence production during the first half of 2013. Doing so, the Company believes that MGT will be in a position to be Australia's second largest tin producer, operating in a historically prolific tin and base metals zone.

As part of preparing for our life as a tin producer MGT has also successfully executed an off-take agreement with Taimetco International Co., Limited, a Taiwanese base metals buyer, for 20% of annual tin production from our Mt Garnet sites.

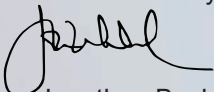
MGT has also continued to undertake a comprehensive exploration and drilling program to build on the existing JORC compliant tin resource at the key project areas in close proximity to the Mt Veteran Mill. Once further JORC resources have been defined the plan is to upgrade the current mill to 250,000tpa during 2013 for a relatively modest cost of around \$1.5 million. MGT believes it is able to begin production at a cost-competitive level due to the shallow open pit mine in close proximity to the mill. Importantly, critical infrastructure is also all in place including adequate water, power supply and roadways allowing ease of access to the site and transport of product.

MGT also holds the rights to five gold exploration assets, with exploration costs potentially underpinned by tin production at Mount Garnet, providing investors with potential exposure to the significant and sustained increase in the price of gold.

MGT will proceed with a drilling program to extend the established area of mineralisation at the Pyramid Gold Project, defined by previous drilling activity. Assay results to date indicate that the Pyramid Gold Project has the potential to host a significant gold resource. MGT also plans to expand its current JORC compliant gold resources at Nymbool, Yarrol and Mt Steadman.

MGT has assembled a board of Directors with extensive experience in the areas of exploration, mining, commodity marketing and asset valuation and investment, and has a senior technical team with strong minerals processing background currently on-site. It is therefore with great pleasure that we present the opportunity to subscribe to MGT Resources' public offering on the ASX at a critical point in the Company's growth. On behalf of the Board of Directors it is my pleasure to invite existing shareholders and new investors to participate in the Offer described in this Prospectus.

Yours sincerely



Jonathan Back  
Chairman and Managing Director



## SECTION 4 - INVESTMENT OVERVIEW

### IMPORTANT NOTICE

This Section is not intended to provide full or complete information for investors intending to apply for Shares pursuant to this Prospectus. This Prospectus should be read and considered in its entirety.

Neither MGT nor any other person guarantees the performance of the Shares offered pursuant to this Prospectus, or the performance of MGT or the return on any investment.

### THE COMPANY

#### Section References

#### Who is the issuer of the Prospectus?

- MGT Resources Limited ACN 131 715 645 (MGT) is an Australian public company currently listed on the National Stock Exchange of Australia (NSX). Subject to shareholder approval being obtained and the Company complying with the requirements of the NSX (in relation to delisting on the NSX) and the requirements of the ASX (in relation to listing on the ASX), MGT will voluntarily withdraw from the official list of the NSX and list on the official list of the ASX. Section 6.1
- MGT owns 83.48% of MGT Mining Limited (formerly Xtreme Resources Ltd) (MGT Mining), an unlisted public company. Section 6.1

#### What does MGT do?

- MGT is an emerging tin production and exploration company. Whilst MGT and MGT Mining (MGT Group) have produced tin historically on a small scale, MGT aims to increase and upgrade its current JORC tin resources whilst concurrently mining and milling tin ore initially on a trial mining basis and then transition to mining on an increasingly economic scale. Section 6.1  
Section 6.3
- The operations of the MGT Group also involve exploration for tin, gold, copper and other base and precious metals at various sites across Queensland.

#### What are the key features of MGT's strategy?

- The MGT Group aims to focus on upgrading its tin resources at MLA 20547. The Company anticipates MLA 20547 will be granted as a mining lease in the fourth quarter of 2012, after which mining and milling of tin ore will commence initially on a trial mining basis and then transition to mining on an increasingly economic scale. Section 6.1  
Section 6.2  
Section 8.0
- The MGT Group aims to increase and upgrade its other JORC tin resources.
- The MGT Group plans to upgrade its current mill from 70,000tpa input capacity to 250,000tpa input capacity in 2013. The mill is not currently operating.
- The MGT Group's projects are located in a historically strong tin mining province in Far North Queensland. MGT is well positioned to pursue regional consolidation and the region also provides significant exploration upside.
- The MGT Group also plans to conduct further exploration of its gold prospects in Queensland with a view to the eventual development of these projects.

### KEY INVESTMENT HIGHLIGHTS

#### Section References

#### What are the key strengths of MGT?

- Through its 83.48% owned subsidiary, MGT Mining aims to mine and produce tin in the historic tin district around Mount Garnet ("Mount Garnet Tin Project"), 3 hours west of Cairns in Queensland. Section 6.1;  
Section 6.3.1(a);  
Section 8
- MGT has a mill at Mount Garnet with current tin processing capacity of approximately 70,000 tonnes input per annum.
- Stage 1 upgrade and plant refurbishment of existing plant at Mount Garnet has been completed with plant infrastructure, water, power and roadways already in place.
- The Company believes it is able to begin production at a cost-competitive level due to the shallow open pit mine in close proximity to the mill.
- The MGT Group also holds the rights to five gold exploration prospects, with further exploration costs potentially underpinned by tin production at Mount Garnet.

### What is the scope of operations at the Mt Garnet mill?

- MGT is commencing the design and planning to upgrade the Mt Veteran mill to 250,000tpa (input capacity), planned to commence in 2013. This upgrade is contingent upon the MGT Group expanding its current JORC resources, and is currently expected to cost around \$1.5 million as there are relatively few components of the mill that need to be replaced or upgraded. Further capital will need to be raised at a later date to fund this upgrade. Section 6.1;  
Section 6.3.1(a);  
Section 8
- Critical infrastructure is all in place including adequate water, power supply (power lines run directly through the tenement area), and roadways allowing ease of access to the site and transport of product. The mine site is also in close proximity to the milling plant.
- MGT has entered into an off-take agreement with Taimetco International Co., Limited, a Taiwanese base metals buyer, for 20% of annual production of tin from the MGT Group's Mount Garnet sites. Section 13.17

### What are the MGT Group's Current Tin Projects

- Mt Garnet Project – North Queensland
- Located in the Mt Garnet-Irvinebank district which is one of the two major historical tin producing districts in Australia. Section 6.2.1
- The Mt Garnet Project combines Summer Hills (MLA20547 and ML4349) and the Smiths Creek historic mine area (EPM16948)
- At Summer Hills MGT has conducted drilling identifying JORC compliant hard rock tin resources (see table 6.1.1).
- Future exploration aims to upgrade the current resources and prove up higher amounts of tin based on historical estimates. Systematic exploration over the tenements is also being conducted to identify new targets
- Exploration at Smiths Creek is at an earlier stage and drilling has been conducted to test extensive tin targets as well as new targets which have not yet been assessed. The potential for presence of other economic minerals is also being tested.

### What is the size of the resource at Mt Garnet?

Prospects	Tonnage	Grade	Estimated Contained Metal	JORC Category
Smiths Creek (EPM 16948)				
(Hard Rock)	200,000 ton	1.68% Sn	3,360 ton	Inferred
Summer Hill (MLA 20547)				
(Hard Rock)	491,000 ton	0.5% Sn	2,455 ton	Indicated
Dalcouth (MLA 20547)				
(Hard Rock)	102,400 ton	0.34% Sn	348 ton	Inferred
Total (Average)	793,400 ton	0.78% Sn	6,163 ton	

Section 6.1  
table 6.1.1;  
Section 8

### What makes tin a commercially viable commodity for MGT?

- From June 2010, to October 2012 the tin price has increased from approximately \$17,000 per tonne to approximately \$20,000 per tonne, representing a 17% increase.
- Tin has a long history of industrial use, primarily in soldering for electronic products, as it is a non-toxic substitute for lead. The global growth of the electronics industry provides the most significant source of increasing demand for tin. Global demand outstripped supply by 7,400 tonnes in 2011, and a deficit of supply versus consumption has also been recorded for the first half of 2012. (CRU Monitor – Tin, August 2012)
- Global demand is expected to be circa 400,000 metric tons per year (mt/y) by 2015, and mineral resources at existing operations are being constantly depleted. However, existing tin producers are reporting rising production costs.
- Tin is traded on the London Metals Exchange.

### What are the MGT Group's current Gold Projects ?

- The MGT Group holds three gold projects, some with already defined JORC resources and all requiring further exploration work. Section 6.3.1 (c);  
Section 6.3.2;  
Section 6.3.4;  
Section 8
- Nymbool Gold Project, North Queensland**
- The Nymbool gold project is located within EPM 16948 along with the Smiths Creek tin project.
- Nymbool currently has a JORC compliant inferred/indicated estimated resource of 231,397oz of contained gold.

- At present MGT has not conducted exploration on this Project but has plans to upgrade the JORC Resource in the future..

#### **Pyramid Gold Project, North Queensland**

- The Pyramid Gold Project is located in the highly mineralized Drummond Basin epithermal gold belt, south east of Charters Towers.
- The belt hosts significant gold deposits such as the Yandan Gold Mine and the project area covers a 35km strike length within a known gold province.
- The MGT Group has been concentrating its exploration activity along a 3 km zone at the Gettysberg and Sellheim gold prospects.
- Recent drill results have resulted in both high grade (8m @ 18 g/t gold) and large lower grade intersections (114m @ 0.49 g/t gold) of gold. A drilling campaign is being conducted in late 2012 with the aim of expanding the resource by infill drilling and testing extensions to mineralisation. If this proves successful, the MGT Group will undertake further exploration and subsequently will undertake a JORC resource calculation of the resource.

#### **The Southern Queensland Projects**

- The Yarrol, Mt Steadman and Gooroolba Projects are all located approximately 150km west of Hervey Bay, Queensland.
- Yarrol and Steadman currently have combined JORC inferred/indicated estimated resources of 101,480oz of contained gold.
- The project is at an early stage and investigations have begun to test the viability of these projects.

Project	Tonnage	Grade	Contained Metal	Estimated	JORC Category	Section 6.1 table 6.1.2; Section 8
Nymbool Gold	2,400,000 ton	0.7g/t Au	59,260 oz		Indicated	
(EPM 16948)	12,200,000 ton	0.4g/t Au	172,137 oz		Inferred	
Yarrol Gold	870,000 ton	1.6g/t Au	49,100 oz		Measured	
(EMP 8402)	270,000 ton	1.5g/t Au	14,285 oz		Inferred	
Mt Steadman Gold						
(EPM 12834)	1,200,000 ton	0.9g/t Au	38,095 oz		Indicated	
Total (Average)	16,940,000 ton	0.56g/t Au	332,877 oz			

#### **Are there any Projects that MGT currently has an option over?**

Yes, MGT holds an option to acquire the California Creek Alluvial Tin Project (California Creek).

MGT entered into an option agreement with the holder of the California Creek Alluvial Tin Project (Bookall Mining Company Pty Ltd) on 28 February 2012 for the acquisition of the California Creek Alluvial Tin Project (California Creek Option Agreement).

The Company has planned full due diligence on California Creek, and the Directors will only exercise the option in the California Creek Option Agreement if this due diligence proves satisfactory.

Section  
6.2.1 (d);  
Section  
13.14

#### **Does the MGT Group have any compensation arrangements with native title parties?**

Yes. In relation to MLA 20547 and ML 20655, \$144,000 per annum (adjusted by the annual consumer price index adjustment) is payable, and a royalty, share option and community and environmental objectives are agreed.

In terms of royalty, an annual royalty fee of \$5,000 for every 20 tonnes produced in excess of 300 tonnes, or part thereof, where production in the preceding year exceeds 300 tonnes of all minerals produced is payable

Section  
13.16

#### **What have been some recent developments for MGT?**

The Company recently conducted a placement of 13,212,000 Shares at an issue price of \$0.16 per Share raising approximately \$2.1 million (Placement). The Placement funds will be applied towards general working capital purposes and further exploration on the Company's tenements. The Placement was conducted at a 20% discount to the Offer price, reflecting the then current market for Shares on NSX. The Directors believe that the successfully completed Placement, combined with a successful listing on ASX, will improve the market for the Company's Shares, including in terms of price, liquidity and investor interest.

Section  
5.5 and  
Section 5.6

**What are the terms of the Offer?**

By this Prospectus, MGT is offering to the public up to 10,000,000 Shares at a subscription price of \$0.20 per share to raise up to \$2,000,000 before costs of the Offer. Section 5.1

**What is the Minimum Subscription?**

The Minimum Subscription of the Offer is 5,000,000 Shares at an issue price of \$0.20 per Share to raise \$1,000,000. If this is not raised then MGT will not proceed with the Offer and will repay all Application Monies received. Section 5.3

**What is the Maximum Subscription?**

MGT may accept applications for a further 5,000,000 Shares at an issue price of \$0.20 per Share to raise an additional \$1,000,000. Section 5.4

**Is the Offer underwritten?**

The Minimum Subscription under the Offer (\$1,000,000) is underwritten by Patersons Securities Limited. Section 5.1  
Section 13.12

**What is the intended use of funds?**

MGT's main objectives in raising funds under the Offer include: Section 5.5

- Exploration activity at all of MGT's tenements
- General working capital
- Expenses of the Offer

**What is the effect of the Offer on MGT's capital structure?**

The capital structure of MGT following completion of the Offer (assuming full subscription) is as follows: Section 5.6

<i>Shares</i>	<i>Maximum Subscription</i>	<i>%</i>
Shares on issue as at the date of this Prospectus	281,847,040	86.26
Shares to be issued under this Prospectus	10,000,000	3.06
<b>Total Issued Shares on completion of the Offer</b>	<b>291,847,040</b>	<b>89.32</b>
Shares to be issued under the Convertible Notes	17,500,000	5.36
<b>Options</b>		
Total Options on issue as at the date of this Prospectus	17,400,000	5.33
<b>Total Issued Shares, Convertible Notes and Options on completion of the Offer</b>	<b>326,747,040</b>	<b>1.00</b>

\*If all the Notes and Options are converted or exercised, to Shares, such conversion or exercise will have a substantial dilutionary effect for Shareholders.

**What is MGT Mining?**

MGT Mining is an 83.48% owned subsidiary of MGT. There are no substantial holders in MGT Mining other than MGT and no shareholders agreement is in place. The directors of MGT Mining are as follows:

- Jonathan Back
- Gary Kuo
- George Monemvasitis
- Tony King
- Dohn Taylor



**What are the key risks associated with MGT's business model?**

Section 7.1  
(a) & (e)

- There can be no assurance that exploration of the projects in which MGT has an interest or other exploration properties that may be acquired by MGT in the future will result in the discovery of an economic resource.
- The revenue is exposed to the market price for tin.

**What are the financial aspects of the Company and its operations?**

Section 8  
clause 1.0;  
Section 7.2  
(a) & (b);  
Section 5.5;  
Section  
13.13

- The Company is involved in exploration and development of tin and gold projects. Whilst the Company has fully commissioned a mill to process tin ore with a production capacity of 70,000 tpa, the mill has not yet been run at its production capacity other than trial periods. Accordingly, the Company has not generated a profit or any meaningful revenues.
- The Company intends to apply the funds raised from the Offer as outlined above, and in the absence of a successful tin or gold discovery and subsequent economic development of this discovery, then the Company is likely to generate operating losses;
- The Company has two separate \$1.5 million convertible notes on issue;
- The uncertainty surrounding operating in the tin and gold industry may require the Company to contribute additional working capital to projects above that allowed for in the Company's operating budgets.

**What are the key financial information and financial ratios?**

Section 9.5

- Given the Company's limited operating history and the fact that it has yet to commercialise any of its projects, the Company is unable to provide any meaningful key financial information or ratios, such as net profit after tax or an earnings per share ratio

**Who are MGT's Directors & Key Personnel?**

Section  
12.1 to 12.3

- MGT has a team of key personnel and directors with backgrounds in the investment, natural resources and commodity trading sectors, which are relevant to MGT's operations.

**BOARD OF DIRECTORS**

**Mr. Jonathan Paul Back - Executive Chairman and Managing Director**

- Over 20 years of experience in law and finance internationally.
- Formerly head of Equity team at JP Morgan in Hong Kong.
- LLB, Bachelor Civil Laws (Oxford Univ.)

**Mr. Gary Kuo - Executive Director and Chief Operating Officer**

- More than 10 years of experience in international import & exporting, commodities trading.
- Formerly vice general manager for BAAO Mining a Chinese raw material trading company.

**Mr. Robert Vagnoni - Non Executive Director**

- 28 years experience in the global mining industry
- Co-founder of successful ASX companies Murchison Metals and Extract Resources.
- Qualified mechanical engineer

**Mr. George Monemvasitis - Non Executive Director**

- Over 10 years experience in engineering analysis of resource sector capital raising, both within Australia and China.
- Qualified Mechanical Engineer, MAICD

**Mr. Li Hai Jun - Non Executive Director**

- Over 20 years international business experience.
- Assists Australian resources companies in establishing relationships with companies in China.
- Bachelor of Mechanical Engineering (Beijing Architecture Engineering University, China.)



## KEY MANAGEMENT PERSONNEL

### **Mr. Dohn Taylor - Managing Director (MGT Mining Limited)**

- Over 20 years of management experience in the manufacturing and resources sectors.
- Recently managed start up of an Oil and Gas engineering firm in the Middle East.
- MBA (Finance), MAICD

### **Mrs. Jacqueline Butler - Chief Financial Officer**

- Over 10 years experience in finance and accounting
- Formerly Associate Director at a small Chartered Accounting firm
- Chartered Accountant, (Institute of Chartered Accountants England and Wales)  
Bachelor of Arts (Economics and Geography)

### **Mr. Alexander Moody Company Secretary**

- 10 years of management experience in the small business sector
- Holds company secretary roles at a number of Australian resources companies
- Bachelor of International Relations (Bond Univ.)

## TECHNICAL TEAM

### **Mr. Max Rangott - Chief Consulting Geologist**

- Over 40 years experience as an exploration and mine geologist
- Experience in base and precious metals predominantly on East Coast of Australia
- Bachelor of Science in Geology (Univ. Sydney)

### **Mr. Tony King - Chief Consulting Metallurgist**

- Over 20 years operational and technical experience within the resource industry, particularly in Mt Garnet region
- Held senior positions as Company Chemist for Ardlethan Tin, Gold Copper Exploration and Great Northern Mining Corporation
- Bachelor of Science (Chemistry)(Univ. of Cape Town), Bachelor of Arts (Earth Sciences) (Macquarie Univ).

### **Dr. Verity Borthwick PhD - Operations Geologist**

- Formerly with International Base Metals Ltd and CopperCo
- Widely published in peer reviewed journals
- PhD (Structural Geology)(University of Stockholm), B.Sc (1st class hon)

### **Mr. Chris Stone - Project Geologist (Mt Garnet Tin Project)**

- Exploration geologist with 40 years experience
- Experience predominantly in base and precious metals including copper-gold and tin-tungsten, in NSW, Queensland and Victoria
- Master of Science (Univ. Sydney), Bachelor of Science (Univ. Sydney)

## Related Party Transactions Interests of Directors in MGT's Securities

As at the date of the Prospectus, the following Directors have interests in Securities of MGT:

Section 13.9

Director	No. of shares held by the director and their Related Parties	% of fully diluted securities	No. of Options Held	% of fully diluted securities
Jonathan Paul Back	81,429,727	28.89	3,150,000*	30.01
Gary Kuo	27,208,000	9.65	2,750,000+	10.63
George Monemvasitis	4,482,358	1.59	4,250,000**	3.10
Li Hai Jun	22,800,000	8.09	250,000++	8.18
Robert Vagnoni	8,443,000	3.00	1,450,000***	3.51
	<b>144,363,085</b>	<b>51.22</b>	<b>11,850,000</b>	<b>55.42</b>

\* 2,400,000 exercisable @ 20 cents, expiry 29 June 2013  
750,000 exercisable @ 30 cents, expiry 25 November 2014

++250,000 exercisable @ 30 cents, expiry 25 November 2014

+2,000,000 exercisable @ 20 cents, expiry 29 June 2013  
750,000 exercisable @ 30 cents, expiry 25 November 2014

\*\*\*1,200,000 exercisable at 20 cents, expiry 25 November 2014  
250,000 exercisable @ 30 cents, expiry 25 November 2014

\*\*4,000,000 exercisable @20 cents, expiry 29 June 2013  
250,000 exercisable @ 30 cents, expiry 25 November 2014

### Are there any significant benefits payable to Directors, related parties and promoters?

The Company has agreed to remunerate its Executive Directors and one Non Executive Director through a combination of an appropriate salary package and market based director fees respectively.

Section 12.1;  
Section 13.7

## KEY RISKS SUMMARY References

Section

### Are there risks in investing in MGT and its Shares?

There are risks associated with investing in the share market generally and in this Company specifically. These risks are more clearly outlined in Section 7 of the Prospectus, however, listed below are, in the Directors opinion, the key risks associated with this investment:

Section 7

- Exploration, mineral resource development and mining operations are complicated, speculative and high risk ventures and success cannot be guaranteed from the Company's existing projects or any other projects acquired in the future. Whilst the Mt Garnet area has a history of tin mining for over a century which provides the Company with useful insights into the mineralisation and geology of the area, a brownfield site also carries the risk that the best ore has already been mined;
- The Company's activities in Australia are subject to the Native Title Act. Uncertainty associated with native title issues may impact on the Company's access to land and future plans. MGT has reached Native Title Agreement with the Bar Barrum People for MLA 20547 and ML 20655 in 2011. For all other tenements, MGT will be exposed to the risk of uncertainty associated with native title issues. However, the Company is not currently aware of any issues in relation to its tenements;
- Mining Leases and Exploration Permits for minerals are subject to periodic renewal. Application for renewals for Exploration Permit Minerals 8402, Exploration Permit Minerals 12834, Exploration Permit Minerals 12887 and Exploration Permit Minerals 15426 have been lodged with the Department of Natural Resources and Mines. There are no guarantees that the Company's Mining Leases or interest in its Exploration Permits for minerals (specifically Exploration Permit

Minerals 8402, Exploration Permit Minerals 12834, Exploration Permit Minerals 12887 and Exploration Permit Minerals 15426) will be renewed however the MGT Group has complied with the licence conditions under these Exploration Permit Minerals and the remaining tenements. Further, renewal or transfer conditions may be imposed upon the Company's Mining Leases and Exploration Permits for minerals in the future;

- Following completion of the Offer, the Company will have the following Options and Convertible Notes on issue:
  - 17,500,000 Convertible Notes; and
  - 17,400,000 Options.

There is a risk that the interests of Shareholders will be substantially diluted as a result of the exercise of the above Options and Convertible Notes.

The Company has the following Options on issue with an exercise price at or below the issue price of Shares under the Offer(\$0.20)

- 9,600,000 at an exercise price of \$0.20;
- 2,000,000 at an exercise price of \$0.0625;
- 3,000,000 at an exercise price of \$0.10.

The Company has the following Convertible Notes on issue with a conversion price at or below the issue price of Shares under the Offer(\$0.20):

- 1,500,000 at a conversion price of \$0.20; and
- 1,500,000 at a conversion price of \$0.15.
- The Company conducts its operations through MGT Mining in which the Company holds 83.48% of the share capital in MGT Mining. Should MGT Mining encounter adverse financial failure, cancellation of tenements or operational failure, the Company may suffer significant financial loss;
- Foreign exchange, tin and gold price movements may adversely affect the Company's financial position, operating results and share price;
- The Company is dependent on raising sufficient funding to fully develop and exploit its projects, and this funding may be substantially dilutive to existing shareholders and may not always be available;
- The Company must adhere to and comply with all safety and environmental legislation, policies and guidelines. The Company's projects could possibly be impacted by this requirement;
- The Company has a limited production history which may make it difficult for investors to assess the past performance of the Company;

The above highlights are a brief summary only, and must be read in conjunction with the remainder of this Prospectus. Particular attention should be paid to the Risk Factors detailed in Section 7 of this Prospectus.



## SECTION 5 - DETAILS OF THE OFFER

### 5.1 The Offer

The Company is offering up to 10,000,000 Shares at an issue price of \$0.20 per Share (Offer) to raise up to \$2,000,000.

The Minimum Subscription under the Offer (5,000,000 Shares to raise up to \$1,000,000) is underwritten by Patersons Securities Limited.

All Shares issued pursuant to this Prospectus will be issued as fully paid and will rank equally in all respects with the Shares on issue.

Applications must be for a minimum of 10,000 Shares (\$2,000) and thereafter in multiples of 2,500 (\$500) Shares, and can only be made by completing the Application Form attached to this Prospectus.

The Company reserves the right to reject any Application or to allocate any Applicant fewer Shares than the number applied for.

Further details on the rights and liabilities attaching to the Shares are contained in Section 13.1.

### 5.2 Key Dates

#### KEY DATES

Lodgement of Prospectus with ASIC	29 October 2012
Opening Date	30 October 2012
Closing Date	16 November 2012
Expected date of voluntarily withdrawal from trading on NSX	28 November 2012
Expected completion of despatch of holding statements and any refund payments if required	30 November 2012
Expected commencement of trading on ASX	20 December 2012
These dates are indicative only and subject to change. The Company has the right to vary these dates without notice. Investors who wish to submit an Application are encouraged to do so as soon as practicable after the Offer opens	

### 5.3 Minimum Subscription

Under the Minimum Subscription the Company may accept 5,000,000 Shares at an issue price of \$0.20 per Share to raise \$1,000,000. The Minimum Subscription under the Offer is underwritten by Patersons Securities Limited (See section 13.12 for further details on the underwriting arrangements between the Company and Patersons Securities Limited).

No Shares will be issued pursuant to this Prospectus until the Minimum Subscription has been raised. Should the Minimum Subscription not be raised within three months after the date of this Prospectus, all Application Monies will be dealt with in accordance with the Corporations Act.

### 5.4 Maximum Subscription

Under the Maximum Subscription the Company may accept applications for a further 5,000,000 Shares at an issue price of \$0.20 per Share to raise an additional \$1,000,000. The maximum amount which may be raised under this Prospectus is therefore \$2,000,000.

### 5.5 Purpose of the Offer

Completion of the Offer will result in an increase in cash in hand of up to approximately \$1,000,000 to \$2,000,000 (before the payment of costs associated with the Offer).

The Company intends to apply funds raised under the Offer, together with existing cash reserves, as follows:

<b>Funds Raised Description</b>	<b>Minimum Subscription</b>	<b>Percentage of funds raised</b>	<b>Maximum Subscription</b>	<b>Percentage of funds raised</b>
Funds raised in pre-IPO Placement	\$2,113,920	67.89%	\$2,113,920	51.38%
Funds raised in Offer	\$1,000,000	32.11%	\$2,000,000	48.62%
<b>Total funds raised</b>	<b>\$3,113,920</b>	<b>100.00%</b>	<b>\$4,113,920</b>	<b>100.00%</b>
<b>Use of Funds</b>				
Exploration	\$653,920	21.00%	\$1,453,920	35.34%
Admin Cost (1 year)	\$360,000	11.56%	\$360,000	8.75%
Plant & Equipment	\$150,000	4.82%	\$350,000	8.51%
Working Capital	\$1,500,000	48.17%	\$1,500,000	36.46%
Expenses of Offer, inc. broker fees	\$450,000	14.45%	\$450,000	10.94%
<b>Total</b>	<b>\$3,113,920</b>	<b>100.00%</b>	<b>\$4,113,920</b>	<b>100.00%</b>

Information on the Company's assets and the use of funds on these projects is presented in Section 6 of this Prospectus.

Following completion of the Offer, the Company will have adequate working capital to carry out its stated objectives. As per the table above, in the event that the Minimum Subscription amount is raised, exploration activities will be scaled appropriately. A table detailing the exploration expenditure across MGT's tenements can be found in Section 6.2 of this Prospectus.

## 5.6 Capital Structure

### Pro Forma Capital Structure

	<b>Minimum Subscription</b>	<b>%</b>	<b>Maximum Subscription</b>	<b>%</b>
<b>Shares</b>				
Shares on issue as at the date of this Prospectus	281,847,040	87.60%	281,847,040	86.26%
Shares to be issued under this prospectus	5,000,000	1.55%	10,000,000	3.06%
Total Issued Shares on completion of the Offer	286,847,040	89.15%	291,847,040	89.32%
<b>Options &amp; Convertible Notes</b>				
Total Options on issue as at the date of this Prospectus+	17,400,000	5.41%	17,400,000	5.33%
Shares to be issued under the Convertible Notes*	17,500,000	5.44%	17,500,000	5.36%
Total shares including options and Convertible Notes	321,747,040	100.00%	326,747,040	100.00%

\* Details of the Convertible Notes are set out in section 13.13

+Terms of the Options are set out in section 13.2

## 5.7 Substantial shareholders

Those Shareholders holding 5% or more of the Shares on issue both as at the date of this Prospectus and on completion of the Offer (assuming full subscription, no existing substantial Shareholder subscribes and receives additional Shares pursuant to the Offer and Armstrong Industries (HK) Limited does not convert its Notes to Shares – please refer to section 13.13 for further details on the Notes for Armstrong Industries (HK) Limited) are set out in the respective tables below.

## As at the date of the Prospectus

Shareholder	Shares	Options	Undiluted	Fully Diluted
Jonathan Paul Back*	79,029,727	3,150,000	28.04%	25.94%
Gary Kuo and Kuokai Pty Limited+	27,208,000	2,750,000	9.65%	9.46%
Li Hai Jun**	22,800,000	250,000	8.09%	7.28%

\* Jonathan Paul Back is the Chairman and Managing Director of MGT

+ Gary Kuo is a Director of MGT and is the sole director and sole shareholder of Kuokai Pty Limited, a Substantial Shareholder

\*\* Li Hai Jun is a non-executive Director of MGT

## On completion of the Offer

Shareholder	Shares	Options	Undiluted	Fully Diluted
Jonathan Paul Back	79,029,727	3,150,000	27.08%	25.15%
Gary Kuo and related parties+	27,208,000	2,750,000	9.32%	9.17%
Li Hai Jun**	22,800,000	250,000	7.81%	7.05%

\* Jonathan Paul Back is the Chairman and Managing Director of MGT

+ Gary Kuo is a Director of MGT and is the sole director and sole shareholder of Kuokai Pty Limited, a Substantial Shareholder

\*\* Li Hai Jun is a non-executive Director of MGT

++ In the event Armstrong Industries (HK) Limited convert all of its Notes to Shares on or before completion of the Offer (see section 13.13 for further details) and subscribes for the maximum number of shares under its sub-underwriting agreement (see section 13.11 for further details), Armstrong Industries (HK) Limited will be a substantial shareholder and its interest will be as follows:

Shareholder++	Shares	Options	Undiluted	Fully diluted
Armstrong Industries (HK) Limited	32,325,000	Nil	10.83%	10.08%

## 5.8 Dividend Policy

The Company anticipates that significant expenditure will be required for further exploration and development of the Company's existing projects over the next two years and it does not anticipate declaring dividends during that period.

Any future dividend policy will be at the discretion of the Directors and will depend on the availability of distributable earnings and operating results and financial condition of the Company, future capital requirements and general business and other factors considered relevant by the Directors. No assurance can be provided about future dividend policy, the extent of future dividends or the franking of dividends.

## 5.9 How to apply

Application for Shares can be made on the Application Form attached to this Prospectus. The Application Form must not be circulated unless attached to this Prospectus.

The Minimum Application is 10,000 Shares. The Offer price is \$0.20 per Share and minimum dollar amount is \$2,000. Thereafter Applications must be in multiples of 2,500 Shares for \$500.

Your Application Form must be accompanied by a cheque for the full amount of your Application. Cheques are to be drawn in Australian dollars and made payable to "MGT Resources Limited Application Account" and crossed "Not Negotiable". Payments by cheque will be deemed to have been made when the cheque is honoured by the bank on which it is drawn.

If an Application Form is not completed correctly, or if the accompanying payment is for the wrong amount, the Company may still accept the Application. The Company's decision as to whether to accept the Application or how to construe, amend or complete it shall be final, but no Applicant will be treated as having offered to purchase more Shares than indicated by the amount of the cheque for the Application Monies.

Completed Application Forms and accompanying cheques must be mailed or delivered prior to 5.00pm AEST on the Closing Date to:

#### **By Mail**

Computershare Investor Services Pty Limited  
GPO Box 52, Melbourne, Victoria 3001

#### **By Hand**

MGT Resources Limited  
c/o Duncan Dovico Level 12, 90 Arthur St. North Sydney, NSW 2060

Full instructions on how to apply for Shares and the completion of the Application Form are set out on the reverse side of the Application Form. If you have any doubts on how to apply for Shares or complete the Application Form, please consult your stockbroker, accountant or other professional adviser.

No brokerage or stamp duty is payable by Applicants under the Offer.

### **5.10 Allotment and scale back**

The Company will proceed to allocate Shares as soon as possible after the Closing Date. The Company reserves the right, in consultation with the Lead Manager and the Underwriter to allocate to any Applicant a lesser number of Shares than that applied for, or to decline any Application. Where no allocation is made to a particular Applicant or the number of Shares allocated is less than the number applied for by an Applicant, surplus Application Monies will be returned to that Applicant within 30 days of the Closing Date. No interest will be paid on refunded Application Monies.

Successful Applicants will be notified in writing of the number of Shares allocated to them as soon as possible following the allocation being made after the Closing Date. It is the responsibility of Applicants to confirm the number of Shares allocated to them prior to trading in Shares. Applicants who sell Shares before they receive notice of the number of Shares allocated to them do so at their own risk. No Shares will be allotted or issued on the basis of this Prospectus later than 13 months after the date of issue of this Prospectus.

The Company reserves the right to accept or reject any Application and to allocate to any Applicant fewer Shares than applied for by that Applicant.

### **5.11 NSX delisting and ASX admission**

Subject to shareholder approval being obtained and the Company complying with the requirements of the NSX (in relation to delisting on the NSX), the Company will voluntarily withdraw from the official list of the NSX.

Within seven days after the date of issue of the Prospectus, the Company intends to apply for admission and official quotation of its Shares on the ASX. If granted, official quotation of the Shares will commence as soon as practicable after allotment of Shares to Applicants. It is the responsibility of the Applicants to determine their allocation of Shares prior to trading.

The fact that the ASX may admit the Company to its official list is not to be taken in any way as an indication by the ASX of the merits of the Company or the Shares offered by this Prospectus.

If the ASX does not grant permission for listing of the Shares within 3 months after the date of this Prospectus, or any longer period permitted by the Corporations Act, all Applications will be dealt with in accordance with section 724 of the Corporations Act.

### **5.12 Taxation**

The acquisition and disposal of Shares will have tax consequences, which will differ depending on the individual financial affairs of each investor. All potential investors in the Company are urged to obtain independent financial advice about the consequences of acquiring Shares from a taxation viewpoint and generally.

To the maximum extent permitted by law, the Company, its officers and each of their respective advisers accept no liability and responsibility with respect to the taxation consequences of subscribing for Shares under this Prospectus.

### **5.13 Underwriter Fees**

Full details of the underwriting agreement between the Company and Patersons Securities Limited, as underwriter for the Minimum Subscription under the Offer, are set out in Section 13.12 of this Prospectus.



## 5.14 CHESS

The Company will apply to the ASX to participate in the Securities Clearing House Electronic Sub-register System known as CHESS. CHESS is operated by the ASX Settlement Corporation Limited ("ASTC") in accordance with the ASX Listing Rules and the ASX Settlement Operating Rules. Under CHESS, The Company will not be issuing certificates to investors who elect to hold their Shares on the CHESS sub-register. After allotment of Shares, Shareholders will receive a CHESS holding statement.

The CHESS holding statements, which are similar in style to bank account statements, will set out the number of Shares allotted to each Shareholder pursuant to this Prospectus. The CHESS holding statement will also advise holders of their holder identification number and explain for future reference the sale and purchase procedures under CHESS. Further statements will be provided to holders which reflect any changes in their shareholding in the Company during a particular month.

In accordance with section 724 of the Corporations Act, applicants under the Original Prospectus will have the right, for a period of one month from the date of this Prospectus, to withdraw their application under the Original Prospectus and receive a full refund.

## 5.15 Withdrawal

The Directors may at any time decide to withdraw this Prospectus and the Offer, in which case the Company will return all Application Monies (if applicable) without interest within 21 days of its withdrawal.

## 5.16 Privacy

Tax and company law requires some information to be collected in connection with your Application. If you do not provide the information requested, your Application may not be able to be processed efficiently or at all.

If you apply for Shares, you will need to provide personal information to the Company and the Share Registry. Your information may be disclosed to:

- (a.) the Company in order to assess your Application;
- (b.) the Share Registry for ongoing administration of the Register; and
- (c.) the printers and the mailing house for the purposes of preparation and distribution of statements and for handling of mail.

The Company and the Share Registry may disclose your personal information for purposes related to your investment to their agents and service providers as authorised under the Privacy Act 1988 (Cth).

If you become a Shareholder, your information may also be used or disclosed from time to time to inform you about the Company's products or services that the Company thinks may be of interest to you. If you do not want your personal information to be used for this purpose, you should contact:

**Alexander Moody**  
Company Secretary  
MGT Resources Limited  
Suite 205B, 68 York Street  
Sydney, NSW 2000

The information may also be disclosed to members of the Company and to their agents and service providers on the basis that they deal with such information in accordance with the Company's Privacy Policy.

Under the Privacy Act 1988 (Cth), you may request access to your personal information held by (or on behalf of) the Company or the Share Registry. You can request access to your personal information by telephoning or writing to the Share Registry as follows:

**Computershare Investor Services Pty Ltd**  
GPO Box 52, Melbourne, Victoria 3001  
Telephone: 1300 552 270 (within Australia)  
+61 3 9415 4000 (outside Australia)

## SECTION 6 - OVERVIEW OF THE COMPANY AND ITS PROJECTS →

### 6.1 Background

MGT was admitted to the NSX in December 2008 after a successful initial public offering under its former name of Mono Resources Limited. Its founding directors had a vision to capitalize on distressed and undervalued exploration and mining resource investment opportunities during the peak of the Global Financial Crisis.

By assembling a team of directors with backgrounds in the investment, natural resources and commodity trading sectors, the company attracted investment from both Australia and abroad, notably from Hong Kong and China.

While many companies were significantly risk adverse during the height of the Global Financial Crisis, MGT was preparing to actively seek and acquire highly prospective minerals exploration projects and established an investment vehicle to house these assets. MGT proceeded to take advantage of depressed asset prices and subsequently acquired a controlling interest in what was then known as Xtreme Resources Limited (now MGT Mining Limited). This company had tin and gold bearing prospects, together with an existing tin mill requiring refurbishment.

MGT agreed to invest \$1.86M in MGT Mining Limited to acquire just under 74% of the issued capital in the company. This was deemed by independent expert valuation as a modest investment given the potential of the company and its suite of assets, most significantly the fact that it included a processing plant (the Mount Veteran Mill). The project previously had several millions of dollars invested in it by MGT Mining Limited (pre acquisition) and its former parent Diatreme Resources Limited.

As a result of the proposed transaction MGT became the largest shareholder in MGT Mining Limited, holding 73.76% and has since increased its stake to 83.48% through further share purchases and subscriptions.

Since the acquisition, the Company has proceeded to upgrade the existing plant and equipment, and to undertake further exploration, reaching the following milestones:

- A full upgrade of the existing plant, improving recovery rate to 85%;
- Processing capacity of 70,000tpa (input capacity);
- Recruitment and deployment of a high calibre technical team with significant experience in minerals processing;
- Exploration programs to expand and upgrade current JORC resources.

**Table 6.1.1 JORC Resources - Tin (Sn) (Note – MGT owns 83.48%)**

Prospects	Tonnage	Grade	Estimated Contained Metal	JORC Category
<b>Smiths Creek</b> (EPM 16948) (Hard Rock)	200,000 ton	1.68% Sn	3,360 ton	Inferred
<b>Summer Hill</b> (MLA 20547) (Hard Rock)	491,000 ton	0.5% Sn	2,455 ton	Indicated
<b>Dalcouth</b> (MLA 20547) (Hard Rock)	102,400 ton	0.34% Sn	348 ton	Inferred
<b>Total (Average)</b>	<b>793,400 ton</b>	<b>0.78% Sn</b>	<b>6,163 ton</b>	

**Table 6.1.2 JORC Resources - Gold (Au) (Note - owned by MGT Mining Limited of which MGT owns 83.48%)**

Prospects	Tonnage	Grade	Estimated Contained Metal	JORC Category
<b>Nymbool Gold</b> (EPM 16948)	2,400,000 ton	0.7g/t Au	59,260 oz	Indicated
	12,200,000 ton	0.4g/t Au	172,137 oz	Inferred
<b>Yarrol Gold</b> (EMP 8402)	870,000 ton	1.6g/t Au	49,100 oz	Measured
	270,000 ton	1.5g/t Au	14,285 oz	Inferred
<b>Mt Steadman Gold</b> (EPM 12834)	1,200,000 ton	0.9g/t Au	38,095 oz	Indicated
<b>Total (Average)</b>	<b>16,940,000 ton</b>	<b>0.56g/t Au</b>	<b>332,877 oz</b>	



*Figure 6.1.1 Mt Veteran Mill Upgrade 2011 Clockwise from top left: Control room and conveyor belts; Falcon concentrator; installation of tables; ball mill outflow*

The Company has entered into an off-take agreement with Taimetco International Trade Co., Limited for part of its tin production – please see section 13.17 for further details.

## 6.2 Exploration Programs

The proposed ASX listing will allow the Company to progress its exploration programs at its projects. MGT proposes to deploy the funds raised under this Offer together with the existing cash at bank as follows:

**Table 6.2.1 24 months expenditure per tenement**

TENEMENT #	Name	Mineral	Application of funds Used if Minimum Subscription raised	Application of funds Used if Maximum Subscription raised
ML 4349	Mt Veteran	Tin		
MLA 20547	Summer Hills	Tin	\$200,000	\$600,000
ML 20655	Heads or Tails	Tin	\$10,000	\$10,000
EPM 16948	Nymbool	Tin	\$193,920	\$353,920
EPM 12887	Pyramid	Gold	\$190,000	\$400,000
EPM 8402	Yarrol	Gold	\$20,000	\$30,000
EPM 12834	Steadman	Gold	\$20,000	\$30,000
EPM 15426	Gooroolba	Gold	\$20,000	\$30,000
Total			\$653,920	\$1,453,920



### 6.2.1 Mount Garnet Project

(a) Dalcouth, Extended, Summer Hill, MayDay

Aims: Expand the resource at Dalcouth and Extended, prove up historical resources and identify new tin targets

- Systematic grid soil sampling of targets identified by stream sediment sampling using handheld XRF and laboratory assaying is currently underway;
- Diamond drilling in key locations to provide structural information and conduct density measurements both of which will improve the resource estimate – late 2012 – early 2013;
- Detailed geological mapping over the prospects;
- Synthesis of information to provide a geological model of deposit style.

(b) Nymbool

Aims: Test historical and new tin targets at Smiths Creek

- Follow up deep drilling at Smiths Creek Mine after return and review of diamond drilling results.
- Detailed geological mapping over the White Dove prospect.

(c) California Creek

Aims: Due diligence to assess viability

- As part of the due diligence process, MGT is currently conducting a full and systematic analysis of the tin grade along the alluvial system

### 6.2.2 Pyramid Gold Project

Aims: Expand on existing work to determine whether there is an economic resource, test new models for extension of mineralisation

- An RC drilling program is planned to test continuity of gold mineralization between the best drill intersections made to date and drill beneath sections where mineralisation is open at depth – 10 holes are planned for 1090 metres total length – late 2012.

### 6.2.3 Southern Queensland Projects

Aims: Investigate the viability of the projects to determine whether more exploration activity is warranted

Data compilation is underway involving checking, collating and presenting all available geochemical, geophysical and drilling data from previous exploration.

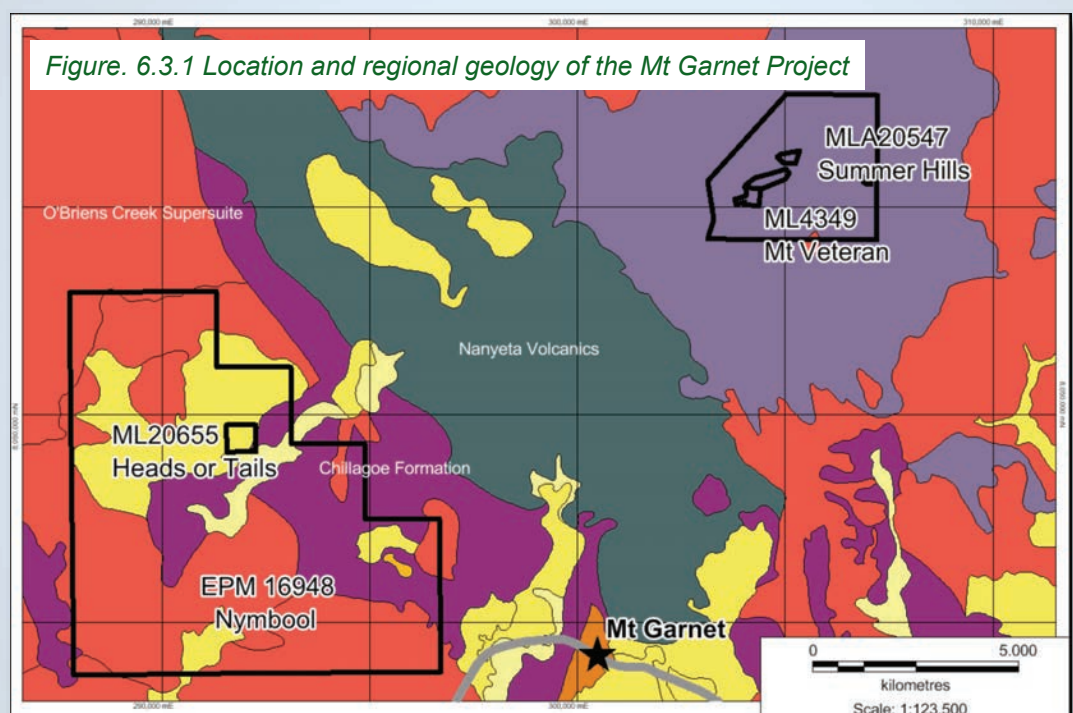
## 6.3 Overview of the Company's Projects

### 6.3.1 Mount Garnet Project

The Mount Garnet Project includes the following tenements (see Figure 6.3.1):

- The Mount Veteran Mill (ML 4349);
- Summer Hills (MLA 20547);
- Heads or Tails (ML 20655);
- Nymbool Projects (EPM 16948).

The Mount Veteran Mill ('the Mill') was constructed in 1980 to treat hard rock tin ores from deposits in the area now covered by MLA 20547. During the period 1984-2003, the tin price declined rapidly due to releases of metal from The Tin Council's stockpile and the US strategic stockpile. As a result, mining activity eventually ceased as well as the mill operation.





MGT has completed upgrading the Mount Veteran Plant to process hard rock tin ore at a processing rate of 10 tons per hour, or up to approximately 70,000 tons per year of input capacity. The Company has been commissioning the plant and producing small amount of tin as trial production. Whilst it is possible the Company may generate revenue from the Mount Veteran Plant by toll processing ore for other mine owners in the future, there are no such agreements currently in place. The Company's primary focus is to further define its own ore resources and process its own ore, initially on a trial mining basis and then on an increasingly economic scale.

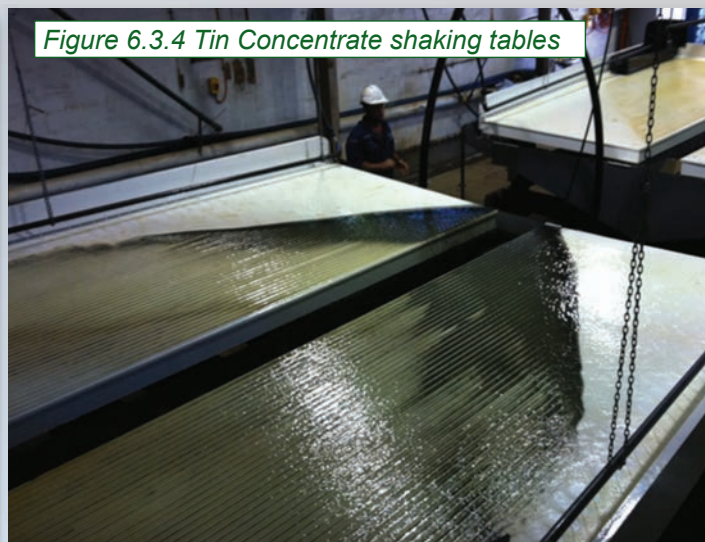
Mining Lease ML 20655 has been granted and assessment of the ore grade has been conducted. Ore from this ML has been set aside blending material to be mixed with material from the Dalcouth prospect. Mining can commence and production begin only once MLA 20547 is granted. Once production begins, MGT will change the mill working hours from a single shift per day and employ an extra crew of 3 mill operators to enable operation at 24 hours per day/seven days per week and have the mill running at 100% capacity.



*Figure 6.3.2 The Mount Veteran Mill (83.48% owned by MGT)*



*Figure 6.3.3 Oversize screen at fine ore bin*



*Figure 6.3.4 Tin Concentrate shaking tables*

### **(b) Summer Hills (MLA 20547)**

In Mid-2010, MGT discovered several high-grade areas of tin mineralisation in MLA 20547. Initial drilling returned some high grade intersections. Drilling Results confirmed potential for high grade intercepts at Summer Hill MLA 20547. Mineralisation is shallow (surface to <50m vertical depth).

The next phase of drilling focused on the Dalcouth prospect and was completed in late 2010 (see below). In late 2011 drilling continued to further define mineralisation at Dalcouth and Extended, in particular to determine whether Dalcouth mineralisation continues at depth. This drilling program also tested economic potential of the Summer Hill, Veteran and May Day prospects, all of which have been mined historically and have known tin mineralisation.

#### **Dalcouth Prospect**

The Dalcouth Prospect consists of a set of several parallel stock work tin mineralised zones with widths up to 20m in altered sediments.

During 2010-2011, a 38-hole infill drilling program was conducted at Dalcouth. The drilling confirmed the presence of high grade tin mineralisation at shallow depth at Dalcouth, suitable for mining and processing at the Mount Veteran Mill. Dalcouth is located approximately 500m from the plant.

**Best Tin intercepts from the 2010-2011 infill drilling program at Dalcouth:**

7m @ 2.0% Sn (DAL65) between 15 to 22m, includes 1m @ 5.95% Sn  
5m @ 1.1% Sn (DAL78) between 23 to 28m, includes 1m @ 4.43% Sn  
7m @ 1.08% Sn (DAL55) between 19 to 26m, includes 1m @ 3.62% Sn  
4m @ 1.32% Sn (DAL70) between 3 and 7m, includes 1m @ 2.91% Sn  
2m @ 2.07% Sn (DAL66) between 28 and 30m, includes 1m @ 2.5% Sn  
2m @ 1.96% Sn (DAL74) between 28 and 30m, includes 1m @ 2.38% Sn

In late 2011 further drilling was conducted at Dalcouth to test for extension of the mineralisation at depth. Results suggest there are opportunities to expand the Dalcouth resource at depth. For example DAL78, as drilled in 2010 had 7m @ 0.93% Sn and with the 30m extension to the hole now runs 24m @ 0.55% Sn.

Dalcouth currently has an inferred JORC resource of 102,400t @ 0.34% Sn and the plan is to upgrade this to a measured resource.

**Extended Prospect**

The Extended Prospect is located approximately 2.5km from the Mount Veteran Plant. The tin mineralised zone is 5m wide. Tin mineralisation is hosted in stock work vein systems in altered sediments.

**Best Tin intercepts from the 2010-2011 infill drilling program at Extended:**

7m @ 2.48% Sn (X02) between 25 and 32m, includes 1m @ 15.75% Sn  
4m @ 3.72% Sn (X02) between 35 and 39m, includes 1m @ 7.59% Sn  
4m @ 1.09% Sn (X11) between 24 and 29m, includes 1m @ 1.67% Sn

A follow up drilling program was conducted in 2011 to test further extensions to the tin mineralisation. Results from the drilling suggested there was no extension of the mineralisation to the southeast.

**Best Tin intercepts from the 2011 follow up drilling program at Extended:**

3m @ 0.50% Sn (X19) between 32 and 35m, includes 1m @ 0.81% Sn  
3m @ 1.68% Sn (X23) between 57 and 60m, includes 1m @ 2.39% Sn

Further work needs to be completed at Extended to better define the areas of mineralisation. Extended has an inferred JORC resource of 9500t @ 0.35% Sn and the intention is to upgrade this to a measured resource.

**May Day Prospect**

Drilling at May Day was conducted in 2011 and focused on testing the lateral continuity of quartz-cassiterite stock work. The drilling results were ambiguous, with three of the holes intersecting sub-economic tin mineralisation over short intervals.

While much of the cassiterite may have already been exploited at shallow depths by historical tin miners, the prospect cannot be considered fully tested at depth. The presence of a collapsed adit at the base of the ridge suggests that historical miners pursued mineralisation at a greater depth.

**Summer Hill Prospect**

The Summer Hill prospect consists of the historic Summer Hill Mine. This mine consisted of a small open cut and an underground drive completed by Noranda Australia Pty Ltd in the 1960s.

**Best Tin intercepts from the 2010-2011 drilling program at Summer Hill:**

1m @ 1.3% Sn (SH03) @ 33m  
1m @ 1.0% Sn (SH03) @ 35m  
4m @ 1.7% Sn (SH03) @ 37m



A further drill program is planned in order to test the viability of this prospect.

### **(c) Nymbool Projects (EPM 16948)**

Nymbool is located to the north east of Mount Garnet but lies within 20 road kilometers (13 kilometers direct line) of the Mount Veteran Plant (Figure 1). There are numerous historical tin workings on the tenement including the Smiths Creek Mine.

#### **Smiths Creek Mine**

The Smiths Creek Mine is a historical tin mine worked in the early 1900s consisting of an open pit and extensive underground workings to a depth of approximately 167 meters. The tin mineralisation is hosted in a chloritic shear zone (6 to 12m wide) in the Nymbool Granite and was associated with copper sulphide mineralisation.

Production occurred between 1903 and 1909 with total tonnage of 60,000 tons of 4% Sn with a head grade of up to 15% Sn from the underground workings (Pyper 2012), primarily from Number 1 Ore Body. The open pit produced 23,733t at 0.4 - 0.7% Sn.

It has been reported (Foord 1996) that up to 200,000 tons at 1% Sn remains in the ground at Smiths Creek and historical production reports that the Number 1 Ore Body ended in copper 30% by volume (Stacpoole 2007). Historical records also map the presence of Number 2 Ore Body (considered low grade at the time and not mined) and a 10,000t ore zone of unknown tin grade known as the Adelaide Block.

Smiths Creek Mine represents a potential copper-gold target. Copper sulphide was reported in association with tin. At depth the copper proportion of the ore apparently increased. Tailings from the processing of the Smiths Creek Mine are located in the nearby MLA 20655 "Heads or Tails". Assays of these tailings indicate the presence of significant copper sulphide and possibly gold in the Smiths Creek Mine ore.

In mid-2012 a drilling program was conducted at Nymbool (total 1070m), including 2 diamond holes and 8 RC holes. The diamond holes tested tin distribution and copper grade at depth, below 167m where production stopped on the Number 1 Ore Body, and targeted possible offset mineralisation to the west of the Smiths Creek mine. RC holes targeted anomalies identified by a ground magnetic survey. MGT is currently awaiting the return of all assays from the drilling program before conducting a thorough analysis of results.

### **(d) Heads or Tails (ML 20655)**

Heads or Tails lies within EPM16948 (Nymbool) and is now a granted mining lease. The ML area holds fine tin tailings from the historical tin processing in the Smith's Creek area. The tailings on the surface have an average grade of 0.44% Sn and have assayed in some areas as high as 1.35% Sn. Bulk metallurgical testing has shown 75% of the tin is recoverable by the Mount Veteran Mill. This positive assay result from the tailings confirms the high potential for discovering a high grade tin deposit as well as a body for a copper/gold deposit. Work is almost completed to install the appropriate floatation cells for copper and gold recovery as part of the tin ore cleaning process at the Mount Veteran mill.

The historical Queen Mine is also located within ML 20655. A ground magnetic survey has been conducted over the mine which showed an anomaly slightly offset to the workings and a hole was drilled to test this in the aforementioned drilling program.

### **(e) California Creek (Option only)**

MGT Resources has entered into an agreement with Bookall Mining Company Pty Ltd and has thereby acquired an option to buy a number of Mining Leases along the California Creek, approximately 10 km Northwest of the Nymbool EPM. These are alluvial tin deposits which have been previously mined to a limited extent. Due diligence studies are being conducted and if they are satisfactory, the option will be exercised in order for MGT to acquire outright the mining leases and the processing plant associated with them. There is no guarantee that this due diligence will be satisfactory.

### **6.3.2 Pyramid Gold Project (EPM 12887)**

The Pyramid project is located within EPM 12887 in the Drummond Basin, North Queensland and is located on a major north-northeast trending belt of gold mineralisation developed over a strike length of 20 km (Figure 6.3.5).

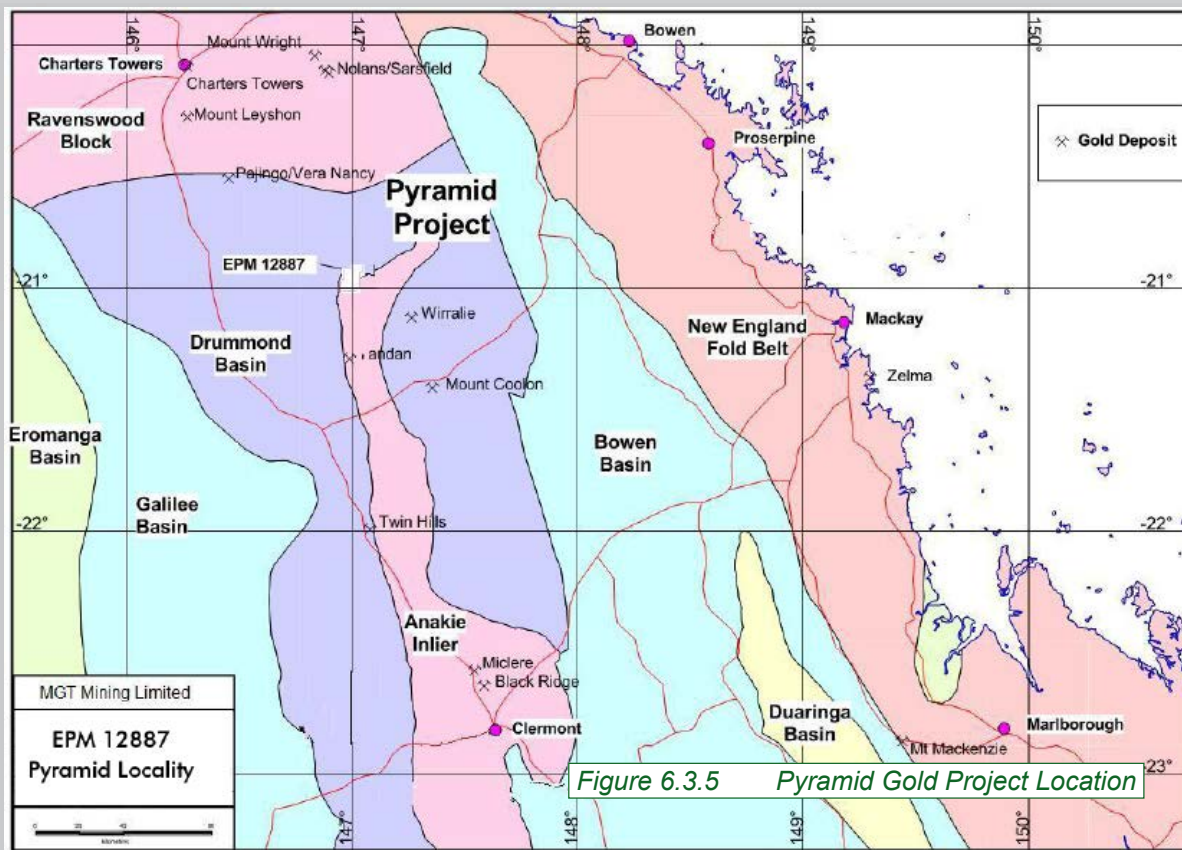


Figure 6.3.5 Pyramid Gold Project Location

## Gettysberg Prospect

Gold at the Gettysberg prospect is hosted in the Saint Ann's Formation sediments (a sedimentary package consisting of siltstones, sandstones and some thin beds of algal limestone and quartz pebble conglomerates).

Mineralisation at the Pyramid Project consists of Epithermal quartz veins, graphite-pyrite-sericite stylolitic veinlets and breccia matrix infills. This mineralisation is only hosted in micaceous sandstones of the Saint Anns Formation and appears to be of epithermal style. The gold mineralisation appears to plunge shallowly to the north and there has been limited drilling in this direction. There is great potential for extensions to the high-grade mineralisation.

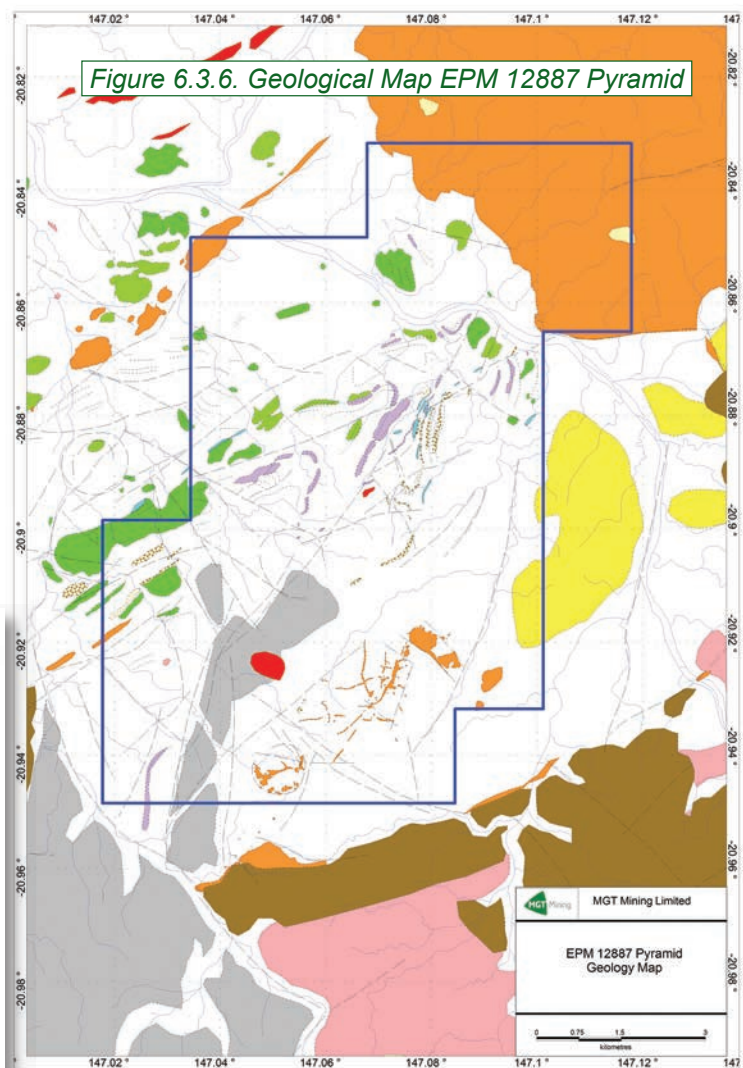
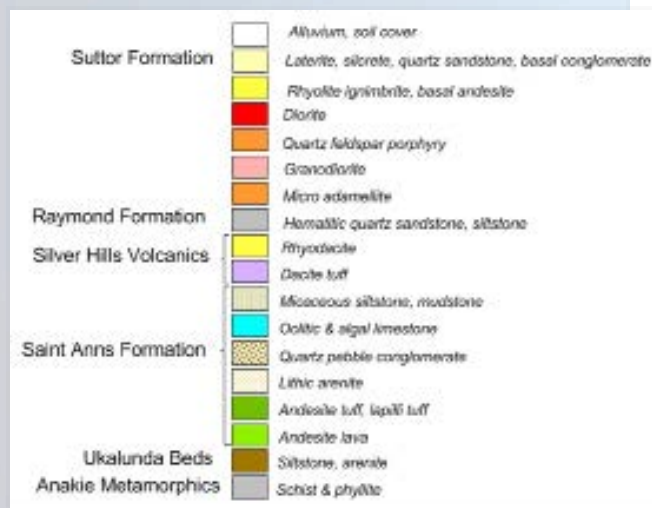


Figure 6.3.6. Geological Map EPM 12887 Pyramid





## Previous Investigations

The Pyramid Project is located near the Sellheim River area, where numerous small silver-lead-zinc deposits were worked during the late 1880's, including the Sunbeam, Sunset, Carrington and Walhalla deposits. From the late 1970's, several mining companies have explored the area around the EPM 12887 including Pajingo Gold Mine Pty Limited, Newcrest Mining Limited and Dalrymple Resources NL. Exploration in the area has been mainly directed towards locating epithermal gold mineralisation. For more details of previous exploration conducted see paragraph 5.0 of the Independent Geologist's Report.



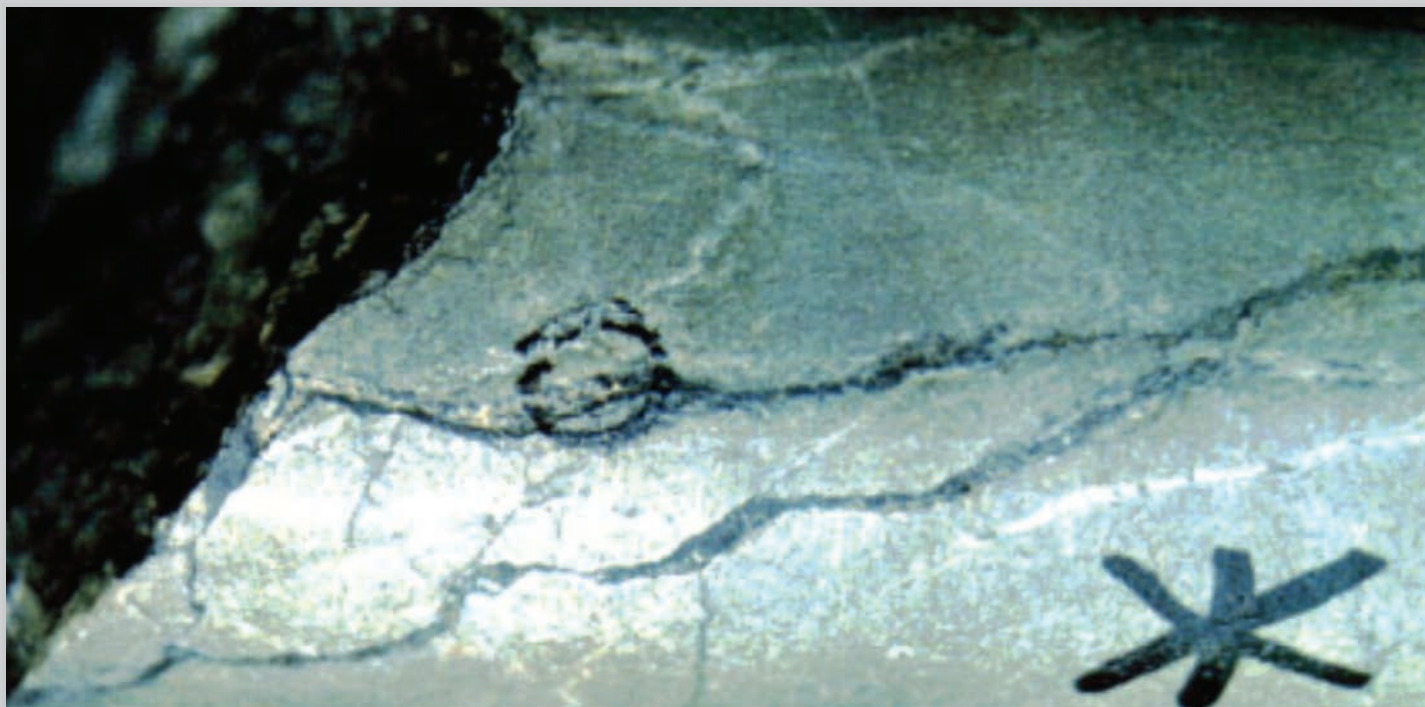
**Figure 6.3.7** Quartz Breccia at the Gettysberg Prospect

## Previous Drilling Results at the Gettysberg Prospect

Dalrymple drilled 26 RC holes (MRDC-25 to MRDC-50) and 2 diamond core holes (MDD-1 to MDD-2; MDD-3 was a diamond extension) over a strike extent of 400m, which intersected widespread significant gold mineralisation in 21 holes. The highlights of this drill program are presented in table 1. Mineralisation consists of comb/cockade quartz vein stockworks and graphite-pyrite-dolomite breccia zones. Visible gold was noted in the core holes associated with the graphite-pyrite matrix (Figure 6.3.8).

**Table 6.3.1** Best Drilling Intersections – Gettysberg Prospect

Hole No.	Depth From	Depth To	Width	Grade
MDRC-31	0	8	8m	18.10 g/t Au
MDRC-33	52	76	24m	5.00 g/t Au
MDRC-34	28	44	16m	2.48 g/t Au
MDD-01	40	80	40m	1.0 g/t Au
MDD-02	21	51	26m	2.80 g/t Au
MDRC-39	8	72	64m	0.50 g/t Au
MDRC-42	8	72	64m	0.40 g/t Au
MDRC-37	28	64	26m	0.70 g/t Au



*Figure 6.3.8 Photograph of drill core from MDD-001. Note presence of visible gold within a low amplitude, black graphite-chlorite-pyrite stylolite seam, within sericite altered, hydrofractured sandstone. (Assay 75-76m: 12.0 g/t Au).*

#### **Proposed Drilling Program – Gettysberg Prospect**

10 holes at up to 150m deep are proposed to test the down dip and along strike potential of the gold mineralised zone and the potential for bulk low-grade mineralisation associated with pyritic graphitic veinlets / dispersions and disseminations in sericite altered schistose zones. It is also important to test potential for gold associated with tabular quartz breccia bodies.

This drilling program is currently planned for late 2012.

#### **6.3.4 The Southern Queensland Projects**

The Southern Queensland Gold Projects include the tenements Yarrol (EPM 8402), Mt Steadman (EPM 12834) and Gooroolba (EPM 15426).

The tenements are located within the northern New England Fold Belt (see paragraph 6.2 of the Independent Geologist's Report for a location map), which is made up primarily of a complex volcanic arc-continental margin succession related to a Carboniferous subduction complex. The structural framework of the area is dominated by North-northwest shears like the Perry fault and northeast cross-cutting faults. These regional structures are overprinted by north-trending faults that have a strong spatial relationship to Permian to Triassic copper-gold mineralisation.

A reconnaissance field trip was conducted by MGT in mid-2012 and data compilation of previous exploration is being conducted currently. For a detailed discussion on the local geology and previous investigations on the tenements refer to the Independent Geologist Report.

#### **References**

*Pyper, R.C.W, 2012 Independent Geologist's Report for MGT Resources Limited, Minnelex Pty Ltd*  
*Stacpoole, J, 2007 Smiths Creek Tin Deposit, Xtreme Resources Limited internal report.*



## SECTION 7 – RISK FACTORS

An investment in the Company is a speculative investment because of the nature of its business. An investment in the Company may not be suitable for all recipients of this document.

Prospective investors should read this Prospectus in its entirety and carefully consider the risk factors impacting on the Company as well as their own investment objectives and their financial position prior to making their investment decision in respect of whether or not to subscribe for Shares. If prospective investors are uncertain of matters detailed in this Prospectus and/or their financial circumstances in respect of investing in the Company, they should take appropriate advice from their stockbrokers, solicitors, accountants or other professional advisers.

The Directors consider that the following summary, which is not exhaustive, represents some of the major risk factors which Shareholders need to be aware of in evaluating the Company's business and risks of increasing your investment in the Company.

The principal risks include, but are not limited to, the following:

### 7.1 Risks specific to the Company

(a) Exploration and Development Risks - Some of the tenements held by the Company's 83.48% owned subsidiary, MGT Mining, are in the early stages of exploration and investors should understand that mineral exploration, development and mining are high-risk enterprises, only occasionally providing high rewards. In addition to the normal competition for prospective ground, and the high average costs of discovery of an economic deposit, factors such as demand for commodities, stock market fluctuations affecting access to new capital, sovereign risk, environmental issues, labour disruption, project financing difficulties, foreign currency fluctuations and technical problems all affect the ability of a company to profit from any discovery.

There is no assurance that exploration of the mineral interests currently held by the Company, or any other projects that may be acquired in the future, will result in the discovery of an economically viable mineral deposit. Even if an apparently viable mineral deposit is identified, there is no guarantee that it can be profitably exploited.

(b) Capital structure - The Company conducts its operations through MGT Mining in which the Company holds 83.48% of the share capital in MGT Mining. In addition, the key assets of the Company are held by MGT Mining. The Company is dependent on the successful operation of MGT Mining notwithstanding that MGT Mining is not wholly owned by the Company. Should MGT Mining encounter adverse financial failure, cancellation of tenements or operational failure, the Company may suffer significant financial loss.

(c) Third Party Risks - The operations of the Company require the involvement of a number of third parties, including suppliers, contractors and customers. Financial failure, default or contractual non-compliance on the part of such third parties may have a material impact on the Company's operations and performance. It is not possible for the Company to predict or protect itself against all such risks.

(d) New Projects and Acquisitions - The Company may consider acquisitions that may add value to the Company. The acquisition of new business opportunities (whether completed or not) may require the payment of monies (as a deposit and/or exclusivity fee) after only limited due diligence and prior to the completion of comprehensive due diligence. There can be no guarantee that any proposed acquisition will be completed or be successful. If the proposed acquisition is not completed, monies already advanced may not be recoverable, which may have a material adverse effect on the Company.

If an acquisition is completed, the Company will need to reassess, at that time, the funding allocated to current projects and new projects, which may result in the Company reallocating funds from other projects and/or the raising of additional capital (if available). Furthermore, notwithstanding that an acquisition may proceed upon the completion of due diligence, the usual risks associated with mineral exploration and exploitation activities will remain.

(e) Reliance on Key Personnel - The Company is reliant on a number of key personnel and consultants. The loss of one or more of these key contributors could have an adverse impact on the business of the Company. It may be particularly difficult for the Company to attract and retain suitably qualified and experienced people, given the current high demand in the industry and relatively small size of the Company, compared with other industry participants.

### 7.2 Industry Specific Risks

(a) Operational Risks - The operations of the Company may be affected by various factors which are beyond the control of Company, including failure to locate or identify mineral deposits, failure to achieve predicted grades in exploration or mining, operational and technical difficulties encountered in mining, difficulties in commissioning and operating plant and equipment, mechanical failure or plant breakdown, unanticipated metallurgical problems which may affect extraction costs, adverse weather conditions, industrial and environmental accidents, industrial disputes and unexpected shortages

or increases in the costs of consumables, spare parts, plant and equipment, fire, explosions and other incidents beyond the control of the Company.

These risks and hazards could also result in damage to, or destruction of, production facilities, personal injury, environmental damage, business interruption, monetary losses and possible legal liability. While the Company currently intends to maintain insurance within ranges of coverage consistent with industry practice, no assurance can be given that the Company will be able to obtain such insurance coverage at reasonable rates (or at all), or that any coverage it obtains will be adequate and available to cover any such claims.

(b) Metallurgy - Metal and/or mineral recoveries are dependent upon the metallurgical process, and by its nature contain elements of significant risk such as:

- Identifying a metallurgical process through test work to produce a saleable metal and/or concentrate;
- Developing an economic process route to produce a metal and/or concentrate; and
- Changes in mineralogy in the ore deposit can result in inconsistent metal recovery, affecting the economic viability of the project.

(c) Resource Estimates - Resource estimates are expressions of judgment based on knowledge, experience and industry practice. Estimates that were valid when made may change significantly when new information becomes available.

In addition, resource estimates are necessarily imprecise and depend to some extent on interpretations, which may prove to be inaccurate. Should the Company encounter mineralisation or formations different from those predicted by past drilling, sampling and similar examinations, resource estimates may have to be adjusted and mining plans may have to be altered in a way which could adversely affect the Company's operations.

(d) Payment Obligations - Under the exploration tenements and certain other contractual agreements to which the Company or any subsidiary is or may in the future become a party, the Company is or may become subject to payment and other obligations. Failure to meet these work commitments will render the tenement or licence liable to be cancelled. Further, if any contractual obligations are not complied with when due, in addition to any other remedies that may be available to other parties, this could result in dilution or forfeiture of interest held by the Company or any subsidiary.

(e) Commodity Price Volatility and Foreign Exchange Risk - In the event that the Company or any subsidiary achieves exploration success leading to production, the revenue it will derive through the sale of commodities exposes the potential income of the Company to commodity price risks.

Commodity prices fluctuate and are affected by numerous factors beyond the control of the Company. These factors include world demand for commodities, forward selling by producers, and production cost levels in major metal-producing regions.

Moreover, commodity prices are also affected by macroeconomic factors such as expectations regarding inflation, interest rates and global and regional demand for, and supply of, the commodity as well as general global economic conditions. These factors may have an adverse effect on the Company's or its subsidiary's exploration, development and production activities, as well as on its ability to fund those activities.

Furthermore, international prices of various commodities are denominated in United States Dollars whereas the income and expenditure of the Company are and will be taken into account in Australian currency, exposing the Company to the fluctuations and volatility of the rate of exchange between the United States Dollar and the Australian Dollar as determined in international markets.

(f) Tenement Title - Interests in tenements in Queensland are governed by legislation and is evidenced by the granting of licences. Each licence is for a specific term and carries with it annual expenditure and reporting commitments, as well as other conditions requiring compliance. Consequently, the Company and/or its subsidiary could lose title to or its interest in tenements if licence conditions are not met or if insufficient funds are available to meet expenditure commitments as and when they arise.

On 28 September 2012, the Land Court handed down its judgement in favour of the Company and recommended that MLA 20547 be approved. There is an appeal period of 42 days which expires on 9 November 2012 during which an appeal against the judgment may be made by the objector. There is a risk that the grant of MLA 20547 may be appealed, however, the Company considers this unlikely and anticipates the grant of the mining lease in the fourth quarter of 2012.

All of the tenements in which the Company or any subsidiary has or may acquire an interest in will be subject to applications for renewal or grant (as the case may be). Application for renewals for Exploration Permit Minerals 8402, Exploration Permit Minerals 12834, Exploration Permit Minerals 12887 and Exploration Permit Minerals 15426 have been lodged with the Department of Natural Resources and Mines. The renewal or grant of the term of each tenement is usually at the discretion of the relevant government authority and there are no guarantees that the Company's Mining Leases or interest in its Exploration Permits for minerals (specifically Exploration Permit Minerals 8402, Exploration



Permit Minerals 12834, Exploration Permit Minerals 12887 and Exploration Permit Minerals 15426) will be renewed however the MGT Group has complied with all licence conditions imposed under the tenements held by the MGT Group and is not aware of any reason why they won't be renewed. If a Tenement is not renewed or granted, the Company may suffer significant damage through loss of the opportunity to develop and discover any mineral resources on that tenement.

Please refer to the Independent Report on the Tenements in Section 11 of this Prospectus for further details.

(g) Native Title - The Native Title Act recognises and protects the rights and interests in Australia of Aboriginal and Torres Strait Islander people in land and waters, according to their traditional laws and customs. There is significant uncertainty associated with Native Title in Australia and this may impact on the Company's or its subsidiary's operations and future plans.

Native Title can be extinguished by valid grants of land (such as freehold title) or waters to people other than the Native Title holders or by valid use of land or waters. It can also be extinguished if the indigenous group has lost its connection with the relevant land or waters. Native Title is not necessarily extinguished by the grant of mining leases, although a valid mining lease prevails over Native Title to the extent of any inconsistency for the duration of the title.

Tenements granted before 1 January 1994 are valid or validated by the Native Title Act.

For tenements to be validly granted (or renewed) after 1 January 1994, the future act regime established by the Native Title Act must be complied with. The existence of a Native Title claim is not an indication that Native Title in fact exists on the land covered by the claim, as this is a matter ultimately determined by the Federal Court. The Company and its subsidiary must also comply with Aboriginal heritage legislation requirements which require heritage survey work to be undertaken ahead of the commencement of mining operations.

MGT has reached Native Title Agreement with the Bar Barrum People for MLA 20547 and ML 20655 in 2011. For all other tenements, MGT will be exposed to the risk of uncertainty associated with native title issues. However, the Company is not currently aware of any issues in relation to its tenements

The Directors will closely monitor the potential effect of native title claims involving tenements that MGT Group has or may have an interest in.

### 7.3 Risk to the Shares offered

(a) Securities Investment - There are risks associated with any investment in securities. The prices at which the Shares trade, may fluctuate in response to a number of factors.

Furthermore, the stock market, and in particular the market for mineral exploration companies, has experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of such companies. There can be no guarantee that these trading prices will be sustained. These factors may materially affect the market price of the Shares regardless of the Company's operational performance.

The Shares issued under this Prospectus carry no guarantee in respect of profitability, dividends, return of capital, or the price at which they may trade on the ASX. The value of the Shares will be determined by the stock market and will be subject to a range of factors beyond the control of the Company, and the Directors and officers of the Company. Such factors include, but are not limited to, the demand for and availability of the Shares, movements in domestic interest rates, exchange rates, fluctuations in the Australian and international stock markets and general domestic and economic activity. Returns from an investment in the Shares may also depend on general stock market conditions as well as the performance of the Company. There can be no guarantee that an active market in the Shares will develop or that the market price of the Shares will not decline below the issue price.

(b) Dilution - In certain circumstances, the Directors may issue equity securities without any vote or action by Shareholders. If the Company were to issue any equity securities the percentage ownership of existing Shareholders may be reduced and diluted.

The Company intends to raise capital in the future to increase its mining capability, increase the capacity of the mill and upgrade its resources. This may or may not occur through equity raisings. In the event the Company elects to raise further capital via equity raisings, there is a risk that the interests of Shareholders will be further diluted as a result of the capital raising.

Following completion of the Offer, the Company will have the following Options and Convertible Notes on issue:

- 17,500,000 Convertible Notes; and
- 17,400,000 Options.

There is a risk that the interests of Shareholders will be further diluted as a result of the exercise of the above Options and Convertible Notes.

The Company has the following Options on issue with an exercise price at or below the issue price of Shares under the Offer(\$0.20)

- 9,600,000 at an exercise price of \$0.20;
- 2,000,000 at an exercise price of \$0.0625;
- 3,000,000 at an exercise price of \$0.10.

The Company has the following Convertible Notes on issue with a conversion price at or below the issue price of Shares under the Offer(\$0.20):

- 1,500,000 at a conversion price of \$0.20; and
- 1,500,000 at a conversion price of \$0.15.

(c) Regulatory Risks -

Changes to legislation in Australia, including changes to the taxation system, may affect future earnings and the relative attractiveness of investing in the Company. Changes in government policy or statutory changes may affect the Company and the attractiveness of an investment in it.

## 7.4 General Investment Risks

(a) Insurance - The Company may, where economically practicable and available, endeavour to mitigate some project and business risks by procuring relevant insurance cover. However, such insurance cover may not always be available or economically justifiable and the policy provisions and exclusions may render a particular claim by the Company outside the scope of the insurance cover.

While the Company will undertake all reasonable due diligence in assessing the creditworthiness of its insurance providers there will remain the risk that an insurer defaults in the legitimate claim by the Company under an insurance policy.

(b) General Economic Conditions - Economic conditions in Australia, the USA and globally, may affect the performance of the Company. Factors such as currency fluctuations, inflation, interest rates, supply and demand and industrial disruption may have an impact on operating costs and share market prices. The Company's future possible revenue and value of the Shares can be affected by these factors all of which are beyond the control of the Company or its Directors. In addition, the Company's ability to raise additional capital, should it be required, may be affected.

## 7.5 Investment speculative

The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by investors in the Company. The above factors, and others not specifically referred to above, may, in the future materially affect the financial performance of the Company and the value of the Shares offered under this Prospectus. Therefore, the Shares offered pursuant to this Prospectus carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those Shares. Potential investors should consider that the investment in the Company is speculative and should consult their professional adviser before deciding whether to apply for Shares pursuant to this Prospectus.

## SECTION 8 – EXECUTIVE SUMMARY OF THE INDEPENDENT GEOLOGIST'S REPORT

### Brief Outline of Independent Consulting Geologist's Report

#### 1.0 Introduction

We set out below a summary of the Independent Geologist's Report which we have prepared dated 20 September 2012. A hard copy of the Independent Geologist's Report has been lodged with ASIC, is available on the Company's website [www.mgt.net.au](http://www.mgt.net.au) and will be provided free of charge to any person in Australia while the Offer is current. Please contact the Company (contact details are set out in the Corporate Directory on the inside back cover of the Prospectus) for such a copy.

MGT has both tin and gold-copper projects in Queensland. It has a substantial tin project in the Mt Garnet area where targets are ready for immediate drilling and where it is well placed to progress development opportunities in districts that have a long prospecting and mining history. Inferred Resources amounting to 112,000t of tin bearing ground have been defined at Dalcouth and Extended and historical work has indicated that substantial tonnages of low grade (0.2 – 1.0%) tin are present, but which still require considerable definition drilling to locate suitable mineable areas. The project is complimented by an on-site crushing and refining plant. Based on this past exploration, MGT will be carrying out extensive drilling to upgrade its target areas and to convert its Inferred and Indicated Resources to Proven Reserves so that it can supply the mill in the years ahead.

*\*Target Mineralisation (target tonnes and target grades) are not precise figures, being based on projections of mineralisation in drill holes and workings. The potential quantity and grade is conceptual in nature as there has been insufficient exploration to define a mineral Resource and it is uncertain if further exploration will result in the determination of a Mineral Resource*

In addition to tin, the company has a number of gold projects. The Nymbool gold project is a copper-gold "intrusive related system" where drilling has intersected large intervals of low-grade mineralisation to a depth of 80 m, mostly in the oxidised zone above an IP anomaly with most of the drill holes ending in mineralisation. A target of approximately 2.3 to 2.5 Mt of oxidised leached mineralisation has been outlined by drilling, which contains generally 0.3 - 1g/t Au and averages close to 0.7 g/t, and may be extractable by heap leaching. If deep extensions into the sulphides are found when testing the IP anomaly the target potential could be increased considerably.

MGT has three other gold prospect areas in Southeast Queensland, Yarrol, Mt Steadman and Gooroolba. At the Yarrol prospect indicated resources have been outlined at Central Ridge and Yarrol North amounting to 273 000 t grading 1.5 g/t Au and 877 000 t grading 1.5 g/t Au, respectively. At Mount Steadman, there is a porphyry style gold and molybdenum target of 1.1-1.2 Mt that is expected to average between 0.8 and 1.0 g/t Au.

MGT's exploration program and budget, amounting to \$653,920 (minimum subscription) or \$1,453,920 million (maximum subscription) over two years has been reviewed and is detailed further in each section of the report. It is sufficient to meet the company's immediate requirements to develop each project area.

#### 2.0 Tin Projects

MGT is a significant holder of exploration and mining tenements in southern part of the Mt. Garnet – Irvinebank region as is listed in the table below. The company owns the only tin mill in the district the Veteran Mill, smelter and tailing storage facility. The company has spent approximately \$4 million over the past two years to repair, refurbish and upgrade the mill, which has a production capacity of up to 70,000 tpa.

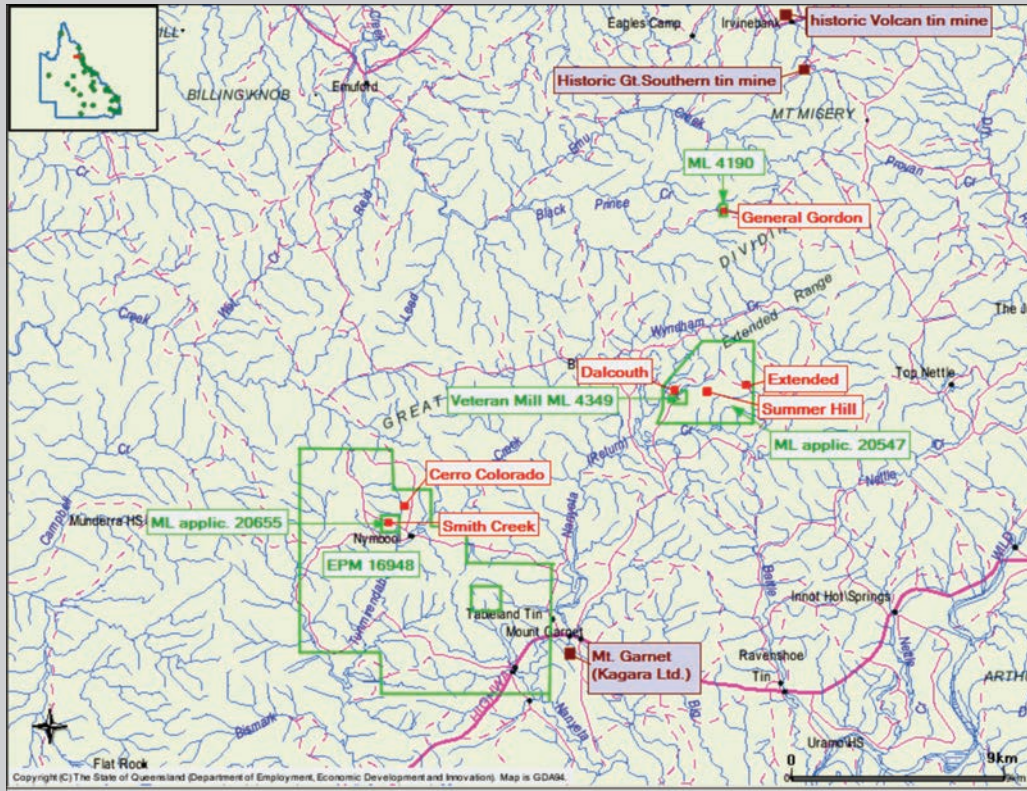
**Table 1. Tin Projects**

Tenement	Mineral	Ownership %	Area Ha
ML 4349 "Mt Veteran"	Tin	83.48	18.3
ML 20655 "Heads & Tails"	Tin	83.48	45.5
MLA 20547 "Summer Hills"	Tin	83.48	1,170
EPM 16948 "Nymbool"	Tin	83.48	8,200

#### 2.1 Summer Hills – MLA20547

No systematic exploration of the whole potential of the Summer Hills tin field has been carried out but rather ad hoc searching for high-grade patches to fulfil the immediate requirements of the treatment facilities for cash-flow generation. The main challenge for MGT in the short term is to extend and upgrade to mineable reserves, the hard rock Inferred Resources currently defined at Dalcouth and Extended. The Veteran mill will be capable of treating 70,000t/year and a





nearby source of ore such as this would be valuable. There is potential for finding larger bodies of higher grade (1% Sn) mineralisation at depth. To test this possibility an inexpensive ground magnetic survey is required prior to drilling.

*Figure 6.3.9 showing main tin mines, MGT tenements and tenement applications*

The Summer Hills lodes (MLA20547) that MGT is investigating occur in complex linear fracture zones that are usually steeply dipping. The intensity of shearing controls the size and possibly the grade of lodes. The lodes extend over an area of some 10 sq km and there are nine with major size targets and several minor lodes. Mining commenced on the lodes in the 1880s and the Mt Veteran mill was built in 1980 and operated for five years

Tin mineralisation is widespread in both the sediments and in the granites (O'Brien's Creek Super Suite). In the sediments, tin, tungsten and copper can be found in quartz veins and fluorite veins in fracture controlled fissure filling, as replacement veins and pipes and as disseminated tin generally associated with intense chlorite alteration. The lodes occur in complex linear fracture zones that are usually steeply dipping. The lodes extend over an area of some 10 sq km and there are nine with major size targets and several minor lodes.

The tin generally occurs as fine grained cassiterite with minor sulphides when found in major lithological controlled structures within the greywacke portions in sediments overlying the granite. Larger deposits can be found at the intersections of these structures. Tin is also found at the sediment - granite contacts. Higher grade tin is found as skarns in the carbonate sections of the sediments.

## 2.2 Dalcouth and Extended Prospects.

Two drilling programs have recently been completed on these prospects and confirmed the presence of high grade tin intercepts at Summer Hills MLA 20547. The drilling intersected significant tin mineralisation at shallow depths from both prospects within 50 m of the surface and future exploration work is focused on testing the continuity of the ore bodies and identification of new mineralised zones. Inferred Resources have been defined as shown Table 2. Numerous small deposits of similar style are located in the district requiring additional work including compilation of historical data, geological interpretation and drilling. The results indicate that around the previously identified pods of mineralisation there is some high grade (>1% Sn) at shallow depths (<50 m).

Several mineralised holes in close proximity to the Dalcouth resource require follow up drilling as these will influence pit design, possibly increasing available minable resources.

**Table 2.**

	Dalcouth and Extended Inferred Resource		
	Vol m3	K Tonnes	Sn %
Dalcouth	39,391	102.4	0.34
Extended	3,672	9.5	0.35
<b>Total</b>	<b>43,063</b>	<b>111.9</b>	<b>0.34</b>

At the Extended prospect there is a mineralised zone with a quartz-cassiterite vein width of 5m. The zone is located relatively low in the terrain, near the contact of sediments with underlying granite, where MGT expects the best mineralisation to occur.



### 2.3 Summer Hill Prospect.

Historical records show that 22,000t of tin metal has been produced from dredging alluvials within the Summer Hill area and the prospect has been identified as having possible bulk mining hard rock potential. Large chloritic lodes outcrop as resistant ridges in the project area and are known to contain 1 to 4m zones of tin bearing material. The company has conducted sample testing from the old workings with positive results for tin, gold and copper. Host rocks are altered sediments of Palaeozoic Hodgkinson Formation containing quartz – cassiterite vein stockworks; a large porphyry intrusion with pyrite disseminations was intersected at depth.

Drilling results from the 2010 program included one hole with multiple intersections of above 1% Sn. Two further holes were completed in 2011, SH04 and SH06 and the absence of above background tin in both holes may be due to the patchy nature of cassiterite mineralisation across the lease; Summer Hill remains a priority target at present.

### 2.4 Other Tin Prospects

These include the May Day, Veteran and Smiths Creek where the likelihood of economic tin mineralisation is evidenced by historical mining. Some drilling on these prospects took place in 2011 but further work is required to determine their potential for supplying the Veteran mill.

## 3.0 Copper and Gold Projects

*Table 3. MGT Gold Projects*

Tenement	Mineral	Ownership %	Area Ha
EPM 12887 "Pyramid"	Gold, Silver	83.48	320 sq.km
EPM 8402 "Yarrol"	Gold, Silver	83.48	40,000
EPM 12834 "Mt Steadman"	Gold, Silver	83.48	40,000
EPM 15426 "Gooroolba"	Gold, Silver	83.48	50,000

### 3.1 Nymbool Copper-Gold Project

Nymbool is a porphyry-style prospect where IP defined a number of gold targets and where drilling has intersected large intervals of low-grade gold and minor copper mineralisation with most of the drill holes ending in mineralisation. At Cerro Colorado a target\* zone of 2.3 to 2.5 Mt at 0.6 – 0.8% copper was defined in the oxidised zone with gold values commonly between 0.2 – 1.0 g/t Au. At the Ambrose Gully Gold Prospect, elevated gold values have been located in rock chip and soil samples – particularly in the region of the contact between granite and sediments where the development of an extensive quartz greisen has been developed.

### 3.2 Pyramid Gold Project

The Pyramid Gold Project includes a mineralised zone developed over a strike length of 15 km, extending from the Sellheim North Prospect southwesterly through to the Madhya Pradesh - Rockpool Creek prospects in the south, with many gold prospects in between, including the main gold targets, Gettysberg and Sellheim. These were drilled in the 1990s and produced shallow high grade quartz lode gold values and low grade disseminated gold.

Drilling at the Gettysberg prospect defined a significant shallow mineralized gold zone with epithermal characteristics and included 114 m grading 0.47 g/t Au from 29 m and 8.0 m @ 18.08 g/t gold from the surface. The low tenor gold mineralisation was developed over thick intersections in several holes and is interpreted to plunge to the north. Mineralisation is open to the east and down-dip and higher grade intersections indicate there is potential for continuity of gold values at greater depth. Further drilling is required to complete the initial exploration phase as the drilling only tested to a depth of 75m.

Sellheim alteration and structure are the same as at Gettysberg. Previous drilling also located broad gold intercepts such as 28m @ 0.33 g/t Au (0-28m).

### 3.3 Yarrol Gold Project

At the Yarrol prospect, MGT has three separate gold areas, Yarrol, Mt Steadman and Gooroolba. At Yarrol, porphyry style gold mineralisation is associated with a suite of dioritic bodies that have been intruded along major north-trending fault or fracture systems. Workings can be traced intermittently over a length of 4 km and an Indicated Resource of 1.15 Mt @ 1.5 g/t gold is present, mineable by open cut. Most of the drilling has been quite shallow (<100 m) and only one deep diamond drill hole each has tested Yarrol North and Central Ridge and deeper RC drilling is planned.

At Mount Steadman, gold is hosted by the Chowey Granite, associated with a moderately east dipping zone of sheeted quartz veining. The work completed outlined an area of significant gold mineralisation at the Fitzroy Prospect.

Intersections from surface at this prospect include:

- 26 m grading 1 g/t Au,
- 22 m grading 1 g/t Au, 25 m grading 1.1 g/t Au and
- 29 m grading 0.9 g/t Au

This work outlined a target of around 1.1 to 1.2 Mt grading close to 0.9 g/t Au. There are drill intersections of similar grade gold outside the present shallow defined mineralisation and there is also potential for extensions to the mineralisation along strike and at depth.

The Gooroolba area EPM 15462, is prospective for intrusive related gold-copper mineralisation but to date has incurred little exploration expenditure.

#### 4. Budget

The Independent Geologist's Report concludes that MGT's exploration program and budget, amounting to \$653,920 (minimum subscription) or \$1,453,920 million (maximum subscription) over two years is sufficient to meet the company's immediate requirements to develop each project area.

The Report also contains information on the references used and the reliance of the Independent Geologist on such information.

#### Disclaimer of Interests

At the date of this report, Minnelex does not have, nor has had any relationship with MGT, other than as may have occurred as a result of providing consultancy services in the ordinary course of business.

Minnelex and Mr Pyper have neither relevant interest in, nor any interest in the acquisition or disposal of, any securities of MGT. Minnelex and Mr Pyper have no pecuniary or other interest that could be regarded as being capable of affecting its ability to give an unbiased opinion in relation to the acquisition of the mineral interests of MGT.

Neither Minnelex nor Mr Pyper has received or may receive any pecuniary or other benefits, whether direct or indirect or in connection with the preparing of this report other than normal consultancy fees based on fee time at normal professional rates plus out-of-pocket expenses.

Dated: 20 September 2012



Robert Pyper  
Director  
Minnelex Pty Ltd

## SECTION 9 – FINANCIAL INFORMATION

### 9.1 Basis of Preparation and Presentation

This Section comprises the historical and pro forma financial information of MGT Resources Limited.

The historical financial information included in this Section comprises the following:

- The statement of financial position as at 30 June 2012, 30 June 2011 and 30 June 2010 extracted from the relevant audited financial statements;
- The income statements for the financial years ended 30 June 2012 and 30 June 2011, and 30 June 2010; and
- The statement of cash flows for the financial years ended 30 June 2012 and 30 June 2011, and 30 June 2010.

The pro forma historical financial information is included at Section 9.2 and comprises the pro forma historical statement of financial position as at 30 June 2012. It is based on the audited statement of financial position of MGT Resources Limited as at 30 June 2012, adjusted to include the pro forma transactions relating to the Offer and adjustments for material events subsequent to 30 June 2012.

The financial information included in this Section has been prepared in accordance with the recognition and measurement principles prescribed in Australian Accounting Standards and Interpretations and the accounting policies adopted by MGT Resources Limited, as set out in Section 9.5

The financial information in this Section is in an abbreviated form and does not include all of the disclosures, statements or comparatives required by Australian Accounting Standards applicable to annual financial reports prepared in accordance with the Corporations Act.

The financial information in this Section comprises the financial results of MGT Resources Limited, and entities which it controlled from time to time during the relevant financial years. At 30 June 2012, MGT Resources Limited had the following interests in its controlled subsidiaries:

Name of subsidiary	Ownership interest 30 June 2012	Ownership interest 30 June 2011
	%	%
MGT Mining Limited (i)	81.33%	75.33%
Garimpos Pty Limited (ii)	100.00%	100.00%

i) On 2 August 2012, the parent entity MGT Resources Limited acquired a further 2.15% of the issued capital in MGT Mining Limited by purchasing 1,500,000 shares at \$0.065 per share for a total of \$97,500. This brings the total shareholding of MGT Resources Limited from 81.33% as at 30 June 2012 to 83.48% on 2 August 2012.

ii) Garimpos Pty Limited is 100% owned by MGT Mining Limited.

The Pro Forma historical financial information at Section 9.2 has been reviewed and reported on by Duncan Dovico Risk & Assurance Pty Limited in the Investigating Accountants Report at Section 10.

## 9.2 Pro Forma Historical Financial Information

MGT Resources Limited Pro Forma Statement of Financial Position as at 30 June 2012

	Note	Audited 30 June 2012 \$	Subsequent Events \$	Pro-forma Adjustments \$	Unaudited Pro-forma After Issue \$
<b>Current assets</b>					
Cash and cash equivalents	A	3,185,842	394,020	19,740	3,599,602
Trade and other receivables		113,920	-	-	113,920
<b>Total current assets</b>		<b>3,299,762</b>	<b>394,020</b>	<b>19,740</b>	<b>3,713,522</b>
<b>Non-current assets</b>					
Trade and other receivables		36,108	-	-	36,108
Other financial assets		10,364	-	-	10,364
Exploration and evaluation expenditure	B	4,719,367	-	653,920	5,373,287
Plant & Equipment	C	3,856,618	-	150,000	4,006,618
<b>Total non-current assets</b>		<b>8,622,457</b>	<b>-</b>	<b>803,920</b>	<b>9,426,377</b>
<b>Total assets</b>		<b>11,922,219</b>	<b>394,020</b>	<b>823,660</b>	<b>13,139,899</b>
<b>Total liabilities</b>					
Trade and other payables	D	2,226,756	(1,622,400)	-	604,356
Borrowings		21,932	-	-	21,932
Provisions		60,144	-	-	60,144
<b>Total current liabilities</b>		<b>2,308,832</b>	<b>(1,622,400)</b>	<b>-</b>	<b>686,432</b>
<b>Non-current liabilities</b>					
Borrowings		2,945,321	-	-	2,945,321
Provisions		21,823	-	-	21,823
<b>Total non-current liabilities</b>		<b>2,967,144</b>	<b>-</b>	<b>-</b>	<b>2,967,144</b>
<b>Total liabilities</b>		<b>5,275,976</b>	<b>(1,622,400)</b>	<b>-</b>	<b>3,653,576</b>
<b>Net assets</b>		<b>6,646,243</b>	<b>2,016,420</b>	<b>823,660</b>	<b>9,486,323</b>
<b>Equity</b>					
Share capital	E	9,831,962	2,113,920	823,660	12,769,542
Reserves		64,356	-	-	64,356
Share Option Reserves			1,878,147	-	-
1,878,147					
Retained earnings		(4,881,246)	(138,617)	-	(5,019,863)
Non-controlling interest		(246,976)	41,117	-	(205,859)
<b>Total equity</b>		<b>6,646,243</b>	<b>2,016,420</b>	<b>823,660</b>	<b>9,486,323</b>

The pro-forma statement of financial position after Issue is as per the statement of financial position before Issue adjusted for the transactions relating to the issue of shares pursuant to this Prospectus. The above statement of financial position should be read in conjunction with the accompany notes and forming part of the historical financial information set out in Section 9.3.



**A. Cash and cash equivalents**

	Audited 30 June 2012 \$	Unaudited Pro-forma After Issue \$
Cash and cash equivalents	3,185,842	3,599,602
Adjustments arising in the preparation of the pro-forma cash and cash equivalents balance are summarised as follows:		
Audited balance at 30 June 2012		3,185,842
<b>Subsequent Events</b>		
Investment in subsidiary (i)		(97,500)
Cash proceeds in advance relating to pre ASX IPO share placement (ii)		991,520
Cash proceeds in advance relating to shares issued under this prospectus (ii)		500,000
Transfer of cash proceeds in advance to funds held in trust relating to the shares issued under this prospectus (iii)		(1,000,000)
<b>Pro Forma</b>		
Proceeds from issue of shares under this prospectus (iv)		1,000,000
Costs of the Offer (v)		(176,340)
Cost capitalised in relation to exploration and evaluation assets (vi)		(653,920)
Costs capitalised in relation to plant & equipment (vi)		(150,000)
Pro-forma balance (vii)		3,599,602

- i. On 2 August 2012, MGT Resources Limited acquired a further 2.15% of the issued capital in MGT Mining Limited by purchasing 1,500,000 shares at \$0.065 per share for a total of \$97,500.
- ii. Cash received post 30 June 2012 comprised of the following:
- \$500,000 received in advance in relation to the proposed share issue under this prospectus; and
  - \$991,520 received in advance in relation to the pre ASX IPO placement initiated in June 2012 and closed on 10 October 2012.
- A pre ASX IPO placement was initiated in June 2012 for the issue of 13,212,000 shares at an issue price of \$0.16 per share to raise \$2,113,920. This placement closed on 10 October 2012. The placement raised \$1,122,400 pre 30 June 2012 and \$991,520 post 30 June 2012.
- iii. On 20 September 2012, \$1,000,000 of cash received both pre and post 30 June 2012 relating to the proposed share issue under this prospectus, was transferred to HWL Ebsworth trust account on behalf of two investors. Of the amount transferred, \$500,000 was received prior to 30 June 2012 and is reflected in the June 2012 audited balance and \$500,000 was received subsequent to 30 June 2012, as mentioned at note (ii) above.
- iv. The cash raised under this offer represents the Minimum Subscription amount being the issue of 5,000,000 shares at an issue price of \$0.20 per share to raise \$1,000,000
- Should the Maximum Subscription amount be raised, resulting in total funds as a result of this offer of \$2,000,000, the additional funds of \$1,000,000 will be allocated to existing exploration and development projects (\$800,000) and plant & equipment (\$200,000). This would result in an increase in cash, an increase in exploration and evaluation expenditure and a reduction in contributed equity.
- v. Total estimated capital raising costs in relation to the IPO are \$450,000 (excl GST). To date, \$273,660 (excl GST) of costs have been incurred and accounted for at 30 June 2012. The estimated future remaining capital raising costs are \$176,340 (excl GST).
- vi. A total of \$803,920 of the funds raised from this Offer will be used towards the Group's existing exploration and development projects (estimated at \$653,920) and plant & equipment (estimated at \$150,000).
- vii. Of the remaining pro forma cash balance of \$3,599,602, an amount of approximately \$360,000 will be expended on administration costs to be incurred over the course of the next year and approximately \$1,500,000 will remain as working capital.

**B. Exploration and evaluation expenditure**

	Audited 30 June 2012 \$	Unaudited Pro-forma After Issue \$
Exploration and evaluation expenditure	4,719,367	5,373,287
Adjustments arising in the preparation of the pro-forma exploration and evaluation of expenditure balance are summarised as follows:		
Audited balance at 30 June 2012		4,719,367
Exploration and development projects (i)		653,920
Pro-forma balance		5,373,287

- i. Funds raised from this Offer (based on the Minimum Subscription) will be used towards the Group's existing exploration and development projects (estimated at \$653,920). Should the Maximum Subscription amount be raised, a further \$800,000 will be allocated to current exploration and development projects.

**C. Plant and equipment**

	Audited 30 June 2012 \$	Unaudited Pro-forma After Issue \$
Plant and equipment	3,856,618	4,006,618
Adjustments arising in the preparation of the pro-forma plant and equipment balance are summarised as follows:		
Audited balance at 30 June 2012		3,856,618
Plant and equipment acquisition (i)		150,000
Pro-forma balance		4,006,618

- i. Funds raised from this Offer (based on the Minimum Subscription) will be used towards the Group's existing plant and equipment (estimated at \$150,000). Should the Maximum Subscription amount be raised, a further \$200,000 will be allocated to current exploration and development projects.

**D. Trade and other payables**

	Audited 30 June 2012 \$	Unaudited Pro-forma After Issue \$
Trade and other payables	604,356	604,356
Sundry creditors	1,622,400	-
Total trade and other payables	2,226,756	604,356
Adjustments arising in the preparation of the pro-forma sundry creditors balance are summarised as follows:		
Audited balance at 30 June 2012		1,622,400
Cash proceeds in advance relating to share placement pre-ASX IPO and proposed share issue under this prospectus (i)		1,491,520
Transfer of cash proceeds in advance to funds held in trust relating to the shares issued under this prospectus (ii)		(1,000,000)
Issue of shares resulting from pre ASX IPO placement (iii)		(2,113,920)
Pro-forma balance		-

- i. Cash proceeds in advance relating to share placement pre ASX IPO and proposed share issue under this prospectus. Total cash received post 30 June 2012 was \$1,491,520 and comprised as follows:
- \$500,000 received in advance in relation to the proposed share issue under this prospectus; and
  - \$991,520 received in advance in relation to the pre ASX IPO placement initiated in June 2012 and closed on 10 October 2012.

- ii. On 20 September 2012, \$1,000,000 of cash received both pre and post 30 June 2012 relating to the proposed share issue under this prospectus, was transferred to HWL Ebsworth trust account on behalf of two investors. Of the amount transferred, \$500,000 was received prior to 30 June 2012 and is reflected in the June 2012 audited cash balance and \$500,000 was received subsequent to 30 June 2012, as mentioned at note (i) above.
- iii. A pre ASX IPO placement was initiated in June 2012 for the issue of 13,212,000 shares at an issue price of \$0.16 per share to raise \$2,113,920. This placement closed on 10 October 2012. The placement has raised \$1,122,400 pre 30 June 2012 and \$991,520 post 30 June 2012.

#### E. Share Capital

	Audited 30 Jun 2012 \$	Unaudited Pro-forma After Issue \$
Share Capital	9,831,962	12,769,542
Adjustments arising in the preparation of the pro-forma share capital balance are summarised as follows:		
Audited balance at 30 June 2012		9,831,962
Issue of shares resulting from pre ASX IPO placement (i)		2,113,920
Capital Raising Costs through equity (ii)		(176,340)
Proceeds from shares issued under this Prospectus (iii)		1,000,000
Pro-forma balance		12,769,542

- i. A pre ASX IPO placement was initiated in June 2012 and for the issue of 13,212,000 shares at an issue price of \$0.16 per share to raise \$2,113,920. This placement closed on 10 October 2012.
- ii. Total estimated capital raising costs in relation to the ASX IPO are \$450,000 (excl GST). As at 30 June 2012, \$273,660 (excl GST) of costs have been incurred and recorded as a reduction in issued capital. The estimated future remaining capital raising costs are \$176,340 (excl GST).
- iii. The cash raised under this offer represents the Minimum Subscription amount being the issue of 5,000,000 shares at an issue price of \$0.20 per share to raise \$1,000,000.

Should the Maximum Subscription amount be raised, resulting in total funds of \$2,000,000, the additional funds of \$1,000,000 will be allocated to existing exploration and development projects (\$800,000) and plant & equipment (\$200,000). This would result in an increase in plant and equipment, an increase in exploration and evaluation expenditure and an increase in contributed equity.

#### F. Related Party Transactions

MGT Resources Limited has an 83.48% controlling interest MGT Mining Limited ("the Subsidiary") as at 19 September 2012. Funds have been loaned to the Subsidiary for the purposes of working capital and as at 30 June 2012 the balance of the funds owed to MGT Resources Limited, including interest was \$6,858,695. Interest is charged at a rate of 8% per annum. The pro forma financial information has been prepared on a consolidation basis and therefore excludes amount owed by the subsidiary to MGT Resources Limited.

Director's holdings of shares and other Directors' interests are set out in Section 4 of the Prospectus.

### 9.3 Historical Financial Information

The below historical income statements, statements of financial position and statements of cash flows of MGT Resources Limited have been extracted from the following audited financial statements:

- Financial year ended 30 June 2012 (audited)
- Financial year ended 30 June 2011 (audited)
- Financial year ended 30 June 2010 (audited)

**MGT Resources Limited Income Statement**

	Audited 30 June 2010 \$	Audited 30 June 2011 \$	Audited 30 June 2012 \$
Other income	38,128	47,523	-
Employee benefits expense	(235,183)	(547,586)	(1,625,181)
Depreciation and amortisation expense	(65,309)	(80,966)	(291,655)
Administration expense	(275,073)	(359,918)	(385,214)
Other expense	(328,237)	(657,281)	(656,779)
Loss before income tax and interest	(865,674)	(1,598,228)	(2,958,829)
Net Interest income/(expense)	65,334	(29,018)	(72,061)
Income tax expense/(benefit)	-	-	-
<b>Loss for the year</b>	<b>(800,340)</b>	<b>(1,627,246)</b>	<b>(3,030,890)</b>

**MGT Resources Limited Statement of Financial Position**

	Audited 30 June 2010 \$	Audited 30 June 2011 \$	Audited 30 June 2012 \$
<b>Current assets</b>			
Cash and cash equivalents	959,126	2,644,364	3,185,842
Trade and other receivables	273,574	149,993	113,920
Other financial assets	209,936	144,000	-
<b>Total current assets</b>	<b>1,442,636</b>	<b>2,938,357</b>	<b>3,299,762</b>
<b>Non-current assets</b>			
Trade and other receivables	-	-	36,108
Other financial assets	-	-	10,364
Exploration and evaluation expenditure	3,332,086	3,845,068	4,719,367
Plant & Equipment	1,706,656	3,313,471	3,856,618
<b>Total non-current assets</b>	<b>5,038,742</b>	<b>7,158,539</b>	<b>8,622,457</b>
<b>Total assets</b>	<b>6,481,378</b>	<b>10,096,896</b>	<b>11,922,219</b>
<b>Total liabilities</b>			
Trade and other payables	331,733	368,405	2,226,756
Borrowings	51,843	924,646	21,932
Provisions	41,306	53,687	60,144
<b>Total current liabilities</b>	<b>424,882</b>	<b>1,346,738</b>	<b>2,308,832</b>
<b>Non-current liabilities</b>			
Borrowings	482,431	21,796	2,945,321
Provisions	3,171	4,427	21,823
<b>Total non-current liabilities</b>	<b>485,602</b>	<b>26,223</b>	<b>2,967,144</b>
<b>Total liabilities</b>	<b>910,484</b>	<b>1,372,961</b>	<b>5,275,976</b>
<b>Net assets</b>	<b>5,570,894</b>	<b>8,723,935</b>	<b>6,646,243</b>
<b>Equity</b>			
Share capital	4,252,508	9,076,237	9,831,962
Reserves	(51,151)	1,742,616	1,942,503
Retained earnings	802,518	(2,371,855)	(4,881,246)
Non-controlling interest	567,019	276,937	(246,976)
<b>Total equity</b>	<b>5,570,894</b>	<b>8,723,935</b>	<b>6,646,243</b>



## MGT Resources Limited Statement of Cash Flows

	Audited 30 June 2010 \$	Audited 30 June 2011 \$	Audited 30 June 2012 \$
<b>Cash flows from operating activities</b>			
Payments to suppliers and employees	(868,545)	(1,465,395)	(1,874,997)
Interest received	70,736	25,049	50,590
Interest paid	-	(54,067)	(87,202)
Net cash provided by/(used in) operating activities	(797,809)	(1,494,413)	(1,911,609)
<b>Cash flows from investing activities</b>			
Payment for investment in subsidiary	(50,000)	(2,506)	-
Proceeds from sale of investments	328,602	92,826	-
Payment for investment in shares	(526,934)	(20,303)	-
Payment for property, plant & equipment	(833,199)	(1,687,781)	(846,382)
Payment for exploration costs	(1,221,122)	(512,982)	(876,799)
Net cash provided by/(used in) investing activities	(2,302,653)	(2,130,746)	(1,723,181)
<b>Cash flows from financing activities</b>			
Proceeds from issues of equity securities net of capital raising costs	997,416	4,823,729	(266,402)
Net borrowing proceeds/(payments) from/(to) related parties	400,000	495,944	(424,483)
Proceeds from borrowings	89,794	-	-
Proceeds from shares not yet issued	-	-	1,622,400
Lease payments	(8,313)	(9,276)	(80,247)
Proceeds from issue of convertible notes	-	-	3,000,000
Proceeds from conversion of options on issue	-	-	325,000
Net cash provided by/(used in) financing activities	1,478,897	5,310,397	4,176,268
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(1,621,565)</b>	<b>1,685,238</b>	<b>541,478</b>
<b>Cash at the beginning of the financial year</b>	<b>2,580,691</b>	<b>959,126</b>	<b>2,644,364</b>
<b>Cash at the end of the financial year</b>	<b>959,126</b>	<b>2,644,364</b>	<b>3,185,842</b>

## 9.4 Commentary and Analysis of Historical Information and Management Discussion

The historical financial performance and cash flows of MGT Resources Limited were affected by the following factors in the previous three financial years. These factors and past performance should not be taken as a guide to future performance of the Company.

### Financial year ended 30 June 2010

- Acquisition of a further 1.48% of MGT Mining Limited at a cost of \$50,000 brings total shareholding to 75.24%.
- 1 for 4 Consolidation of shares in MGT Mining Limited.
- Commencement of Mt Veteran plant upgrades to process hard rock tin ore.
- Costs incurred of \$1,221,122 on exploration and evaluation activities.
- Unqualified audit opinion issued.

## Financial year ended 30 June 2011

- Acquisition of a further 0.09% of MGT Mining Limited at a cost of \$2,506 brings total shareholding to 75.33%.
- Completion of the first stage of the Mt Veteran plant upgrade.
- Delay of exploration activities due to wet season.
- Research and surface sampling of rock chips from Smiths Creek.
- Further ground mapping of 3 tenements in Mt Garnet region.
- In October 2010 the Company raised funds of \$1,700,000 gross of transaction costs through the issue of 6,800,000 ordinary shares at an issue price of \$0.25 per share to fund future exploration activity.
- In April and May of 2011, the Company raised a further \$3,215,000 gross of transaction costs through the issue of 21,433,336 shares at \$0.15 per share to fund future exploration activity.
- Costs incurred of \$512,982 on exploration and evaluation activities.
- A non cash expense of \$1,834,703 was recognised in accordance with accounting standards relating to the issue of options to management personnel and office holders.
- Unqualified opinion with an emphasis of matter on going concern.

## Financial year ended 30 June 2012

- Acquisition of a further 6% of MGT Mining Limited at a cost of \$848,979 bringing total shareholding to 81.33%.
- On 23 September 2011, the company and the Bar Barrum people reached an agreement regarding Native Title for MLA 20655 and MLA 20547. Subsequently ML 20655 was granted in December 2011. MLA 20547 is pending.
- ML 20655 Heads and Tails was granted on 6 December 2011 by the Queensland Government.
- Further ground mapping within the 3 tenements in the Mount Garnet region took place. Drill-hole positions were designed and drilling commenced in the 3 Quarter of 2011.
- Raising of \$3,000,000 in working capital through the issue of 3,000,000 convertible notes. This resulted in an embedded derivative reserve of \$64,356 in equity.
- The first hard rock mining target for MGT Mining Limited was identified and a mining plan is currently being drafted.
- On 6 February 2012, MGT Resources Limited signed a Deed of Option granting the Company the option to acquire mining tenements for total consideration of \$2,100,000. The acquisition is subject to due diligence procedures and the option period expires on 6 November 2012. A non-refundable deposit of \$15,000 was paid on 28 February 2012.
- On 29 February 2012, 400,000 convertible notes were converted into fully paid ordinary shares in MGT Resources Limited.
- On 2 March 2012, options in respect of 2,600,000 ordinary shares in MGT Resources Limited were exercised at \$0.125 per share.
- Costs incurred of \$876,799 on exploration and evaluation activities.
- Unqualified opinion with an emphasis of matter on going concern.

## 9.5 Significant Accounting Policies

### Summary of significant accounting policies

The significant accounting policies adopted in the preparation of the financial information included in this Report have been set out below.

#### (a) Basis of Preparation

The historical and pro forma financial information has been prepared in accordance with the recognition and measurement, but not all the disclosure requirements of the Australian equivalents to International Financial Reporting Standards ("AIFRS"), other authoritative pronouncements of the Australian Accounting Standards Board, Australian Accounting Interpretations and the Corporations Act 2001.

The financial information in this Section has been prepared on a historical cost basis except that equity settled share based payment arrangements with directors and office holders measured at fair value.

The financial information in this Section has also been prepared on a going concern basis which contemplates the continuity of normal business activities and the realisation of assets and discharge of liabilities in the normal course of business.

MGT Resources Limited currently has no source of operating cash inflows other than interest income.

## **(b) Income tax**

### Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

### Deferred tax

Deferred tax is accounted for using the statement of financial position liability method. Temporary differences are differences between the tax base of an asset or liability and its carrying amount in the statement of financial position. The tax base of an asset or liability is the amount attributed to that asset or liability for tax purposes.

In principle, deferred tax liabilities are recognised for all taxable temporary differences.

Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from the initial recognition of goodwill.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

### Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the income statement, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

## **(c) Cash and cash equivalents**

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash, which are subject to an insignificant risk of changes in value and have a maturity of three months or less at the date of acquisition.

## **(d) Financial assets**

Investments are recognised and derecognised on trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs except for those financial assets classified as at fair value through profit or loss which are initially measured at fair value.

Subsequent to initial recognition, investments in subsidiaries are measured at cost in the company financial statements.

Other financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss', 'held-to-maturity investments', 'available-for-sale' financial assets, and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

### Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Assets in this category are classified as current assets if they are expected to be settled within 12 months; otherwise they are classified as non-current.

### Available-for-sale financial assets

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of the investment within 12 months of the end of the reporting period. Investments are designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long term.



### Loans and receivables

Trade receivables, loans and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting period which are classified as non-current assets.

### Measurement

At initial recognition, the group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Loans and receivables are subsequently carried at amortised cost using the effective interest method. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in profit or loss within other income or other expenses in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in profit or loss as part of revenue from continuing operations when the group's right to receive payments is established. Interest income from these financial assets is included in the net gains/(losses).

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences related to changes in the amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income. Changes in the fair value of other monetary and non-monetary securities classified as available-for-sale are recognised in other comprehensive income.

### Impairment of financial assets

The group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired.

### Assets carried at amortised cost

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

### Assets classified as available-for-sale

If there is objective evidence of impairment for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. Impairment losses on equity instruments that were recognised in profit or loss are not reversed through profit or loss in a subsequent period. If the fair value of a debt instrument classified as available-for-sale increases in a subsequent period and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss.

## **(e) Property, plant and equipment**

Property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to the income statement during the reporting period in which they are incurred.

Depreciation is calculated using the straight line method to allocate their cost or re-valued amounts, net of their residual values, over their estimated useful lives. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period, which the effect of any changes recognised on a prospective basis.

The following useful lives are used in the calculation of depreciation:

- Office equipment                3 - 10 years
- Mill infrastructure            20 years
- Motor Vehicle                  5 – 8 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

#### **(f) Impairment of assets**

At each reporting date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

#### **(g) Exploration and evaluation of assets**

Exploration and evaluation expenditure in relation to each separate area of interest is recognised as an exploration asset in the year in which it is incurred where the following conditions are satisfied:

- (i) The rights to tenure of the area of interest are current; and
- (ii) At least one of the following conditions is also met:
  - (a) the exploration and evaluation expenditures are expected to be recouped through successful development and exploitation of the area of interest, or alternatively, by its sale; and
  - (b) exploration and evaluation activities in the area of interest have not at the reporting date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the areas of interest are continuing.

Exploration and evaluation assets are initially measured at cost and include acquisition rights to explore, topographical, geological, geochemical and geophysical studies, exploratory drilling, trenching, sampling and activities in relation to evaluating the technical feasibility and commercial viability of extracting a mineral resource. General and administrative costs are allocated to, and included in, the cost of an exploration and evaluation asset, but only to the extent that those costs can be related directly to operational activities in the area of interest to which the exploration and evaluation asset relates.

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation of asset may exceed its recoverable amount.

#### **(h) Trade and other payables**

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

#### **(i) Borrowings**

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

The fair value of the liability portion of a convertible bond is determined using a market interest rate for an equivalent non-convertible bond. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the bonds. The remainder of the proceeds is allocated to the conversion option. This is recognised and included in shareholders' equity, net of income tax effects.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

**(j) Contributed equity**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

**(k) Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances it is recognised as part of the cost of acquisition of an asset or as part of an item of expense. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

**(l) Business Combinations**

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether it measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

**(m) Share Based Payments**

Employees (including senior executives) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments (equity-settled transactions). Employees working in the business development group are granted share appreciation rights, which can only be settled in cash (cash-settled transactions).

Equity-settled transactions - The cost of equity-settled transactions is recognised, together with a corresponding increase in other capital reserves in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The income statement expense or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period and is recognised in employee benefits expense.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions for which vesting is conditional upon a market or non-vesting condition. These are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

When the terms of an equity-settled transaction award are modified, the minimum expense recognised is the expense as if the terms had not been modified, if the original terms of the award are met. An additional expense is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

When an equity-settled award is cancelled, it is treated as if it vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the entity or the employee are not met. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

**(n) Accounting estimates and judgements**

In the process of applying the accounting policies, management has made certain judgements or estimations which have an effect on the amounts recognised. The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk causing a material adjustment to the carrying amounts of certain assets and liabilities within the next reporting period are:

Exploration and evaluation assets - The application of the Group's exploration and evaluation of assets accounting policy requires management to make certain estimates and assumptions as to future events and circumstances, in particular, the assessment of whether economic quantities of reserves are found. Any such estimates and assumptions may change as new information becomes available. If, after having capitalised expenditure under our policy, we conclude that we are unlikely to recover the expenditure by future exploitation or sale, then the relevant capitalised amount will be written off to the income statement.

Estimated useful lives of assets - The estimation of the useful lives of assets has been based on historical experience as well as manufacturers' warranties. In addition, the condition of assets is assessed at least once per year and considered against the remaining useful life. Adjustments to useful lives are made when considered necessary.



## **SECTION 10**

### **INVESTIGATING ACCOUNTANT'S REPORT**

26 October 2012

The Directors  
MGT Resources Limited  
C/O Suite 2.05B, Level 2  
68 York Street  
Sydney, NSW 2000

Dear Sirs

**INVESTIGATING ACCOUNTANT'S REPORT – MGT RESOURCES LIMITED**

**1. Introduction**

Duncan Dovico Risk & Assurance Pty Limited has prepared this Investigating Accountant's Report ("Report") at the request of the directors of MGT Resources Limited ("MGTR" or "the Company") for inclusion in the Replacement Prospectus to be issued on or about 29 October 2012, relating to the proposed offer of 5,000,000 shares at an issue price of \$0.20 per share under this Replacement Prospectus to raise total of \$1 million before costs ("the Offer"), being the Minimum Subscription level.

**2. Scope**

Duncan Dovico Risk & Assurance Pty Limited has been requested to prepare an Investigating Accountants Report covering the pro forma historical financial information disclosed in section 9.2 of the Replacement Prospectus.

The pro forma financial information is presented in an abbreviated form in the Replacement Prospectus as it does not include all of the disclosures required by Australian Accounting Standards applicable to financial reports prepared in accordance with the Corporation Act 2001.

This Report does not address the rights attaching to the shares to be issued in accordance with the Replacement Prospectus, nor the risks associated with the investment.

Neither Duncan Dovico Risk and Assurance Pty Limited ("DDRA") nor its related entities have been requested to consider the prospects for the Company, the shares on offer and related pricing issues, nor the merits and risks associated with becoming a shareholder and accordingly has not done so, and does not purport to do so. DDRA accordingly takes no responsibility for these matters or for any matter or omission in the Replacement Prospectus, other than responsibility for this Report.

### 3. Review of Pro Forma Financial Information

The pro forma historical financial information as set out in section 9 of the Replacement Prospectus comprises the pro forma unaudited balance sheet of MGT Resources Limited as at 30 June 2012.

The pro forma historical financial information has been derived from the historical balance sheet of MGT Resources Limited, extracted from its audited financial statements for the year ended 30 June 2012 after adjusting for the pro forma transactions and other adjustments as outlined in section 9.2 of the Replacement Prospectus.

The financial statements of MGT Resources Limited were audited for the year ended 30 June 2012 by Duncan Dovico Chartered Accountants in accordance with Australian Auditing Standards. The audit opinion issued to the members of MGT Resources Limited relating to those financial statements was unqualified with an emphasis of matter on going concern.

We have reviewed the Pro Forma Historical Financial Information in order to determine whether on the basis of the procedures outlined, anything has come to our attention that causes us to believe that the Pro Forma Historical Financial Information is not prepared or presented fairly, in all material respects, on the basis of the pro forma transactions and adjustments outlined in section 9.2 of the Replacement Prospectus, and in accordance with the recognition and measurement principles prescribed in Australian Accounting Standards and Interpretations, and accounting policies adopted by MGT Resources Limited disclosed in section 9.5 of the Replacement Prospectus.

We have reviewed the Pro Forma Historical Financial Information in accordance with the Australian Auditing and Assurance Standard ASRE 2405 "Review of Historical Financial Information Other than a Financial Report". We made such inquiries and performed such procedures as we, in our professional judgment, considered reasonable in the circumstances including:

- a review of the Company's work papers, accounting records and other documents;
- an analytical review including a review of the assumptions and adjustments used to compile the Pro-Forma Statement of Financial Information;
- review of pro forma transactions;
- review of the extraction of the historical balance sheet of MGT Resources Limited from the audited financial statements of MGT Resources Limited at 30 June 2012;
- a comparison of consistency in application of the recognition and measurement principles in Accounting Standards and other mandatory professional reporting requirements in Australia, and the accounting policies adopted by the Company disclosed in the appendices to this Report; and
- enquiry of Directors and Management.





The procedures do not provide all the evidence that would be required in an audit. A review of this nature provides less assurance than an audit. We have not performed an audit and accordingly we do not express an audit opinion.

The Directors of MGT Resources Limited are responsible for the preparation of the historical financial information including determination of the pro forma transactions and other adjustments.

The Directors responsibility includes establishing and maintaining internal controls relevant to the preparation of the financial information in the Replacement Prospectus that is free from material misstatement, wether due to fraud or error.

#### **4. Background**

MGT Resources Limited (formerly Mono Resources Limited) is an Australian investment company that was incorporated on 30 June 2008 with an initial share capital of \$1.

The Company has an 83.48% interest in MGT Mining Limited ("MGT Mining"), formerly Xtreme Resources Limited, which was acquired piecemeal between the period 10 February 2009 to 2 August 2012. MGT Mining owns 100% of Garimperos Pty Limited. The Company has acquired a number of mining and exploration licences through its subsidiary MGT Mining Limited. The tenements held by MGT Mining and Garimperos Pty Limited are located in the East Queensland area of Australia.

A share placement initiated in June 2012 offering 13,212,000 shares at an issue price of \$0.16 per share has raised \$2,113,920. This placement closed on 10 October 2012.

The Company intends on using the funds raised pursuant to this Replacement Prospectus, in addition to funds raised in the pre ASX IPO placement to explore and evaluate current projects and to acquire other potential mining investments.

#### **5. Review of historical and pro forma financial information**

The pro forma historical financial information as set out in Section 9.2 of the Replacement Prospectus comprises the audited statement of financial position of the Company as at 30 June 2012, and pro forma adjustments reflecting the transactions and events relating to the issue of shares under this Replacement Prospectus as follows:

- the issue of 5,000,000 shares at an issue price of \$0.20 per share to raise \$1,000,000 pursuant to the minimum offer outlined in this Replacement Prospectus;

**DUNCAN DOVICO RISK & ASSURANCE PTY LIMITED**  
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Liability limited by a scheme approved under Professional Standards Legislation



- total estimated capital raising costs in relation to the IPO are \$450,000 (excl GST). To date, \$273,660 (excl GST) of costs have been incurred and therefore, estimated future remaining capital raising costs are \$176,340 (excl GST);
- a total of \$653,920 of the funds raised from this Offer will be used towards the Group's existing exploration and development projects and a total of \$150,000 will be used towards the acquisition of plant & equipment; and
- the pro forma statement has been prepared on a going concern basis.

In addition to the above, the pro-forma Statement of Financial Position reflects the following events that have occurred subsequent to 30 June 2012:

- On 2 August 2012, MGT Resources Limited acquired a further 2.15% of the issued capital in MGT Mining Limited by purchasing 1,500,000 shares at \$0.065 per share for a total of \$97,500. This brings the total shareholding of MGT Resources Limited from 81.33% as at 30 June 2012 to 83.48% as at 2 August 2012.
- A pre ASX IPO share placement initiated in June 2012 offering 13,212,000 shares at an issue price of \$0.16 per share has raised \$1,122,400 pre June 30 2012 and \$991,520 subsequent to 30 June 2012. This pre ASX IPO placement closed on 10 October 2012.
- On 20 September 2012, \$1,000,000 of cash received both pre and post 30 June 2012 relating to the proposed share issue under this Replacement Prospectus, was transferred to HWL Ebsworth trust account on behalf of two investors.

Apart from the matters dealt with above, and having regard to the scope of our Report, to the best of our knowledge and belief, there are no other material transactions or events outside of the ordinary business of the Company have come to our attention that would require comment on, or adjustment to, the information referred to in our Report or that would cause such information to be misleading or deceptive.

## **6. Review Statements**

### **Review Statement on the Pro Forma Historical Financial Information**

Based on our review, which is not an audit, nothing has come to our attention which would cause us to believe the pro-forma financial information outlined in section 9.2 of the Replacement Prospectus comprising the pro forma historical balance sheet of MGT Resources Limited as at 30 June 2012, is not prepared or presented fairly, in all material respects, on the basis of the pro forma transactions and adjustments outlined in section 9.2 of the Replacement Prospectus, and in accordance with the measurement and recognition requirements (but not all of the disclosure requirements) of applicable Accounting Standards and Interpretations, and accounting policies adopted by MGT Resources Limited disclosed in section 9.5 of the Replacement Prospectus.

**DUNCAN DOVICO RISK & ASSURANCE PTY LIMITED**  
Level 12, 90 ARTHUR STREET, NORTH SYDNEY, NEW SOUTH WALES 2060 • PO BOX 1994, NORTH SYDNEY, NEW SOUTH WALES 2060  
T: (02) 9922 1366 • F: (02) 9922 2044 • E: email@duncan dovico.com.au • ABN 59 161 806 276  
Liability limited by a scheme approved under Professional Standards Legislation

## 7. Disclosures

Duncan Dovico Risk & Assurance Pty Limited is part of the Duncan Dovico Group, which includes Duncan Dovico Chartered Accountants.

Neither Duncan Dovico Risk & Assurance Pty Limited nor any other member of the Duncan Dovico Group, including any director, executive or employee thereof has any financial interest in the outcome of the proposed transaction other than the normal professional fees due for the preparation of this report (DDRA) and professional fees due for the audit of the financial statements as at 30 June 2012 (Duncan Dovico Chartered Accountants).

Duncan Dovico Risk & Assurance Pty Limited, or any member of the group, was not involved in the preparation of any part of the Replacement Prospectus, and accordingly, make no representations or warranties as to the completeness and accuracy of any information contained in any other part of the Replacement Prospectus.

This report has been prepared and included in the Replacement Prospectus to provide investors with general information only and does not take into account the objectives, financial situation or needs of any specific investor. It is not intended to take the place of professional advice and investors should not make specific investment decisions in reliance on the information contained in this report. Before acting or relying on any information, an investor should consider whether it is appropriate for their circumstances having regard to their objectives and financial circumstances.

Duncan Dovico Risk & Assurance Pty Ltd consents to the inclusion of this report in the Replacement Prospectus in the form and content in which it is included. At the date of this report, this consent has not been withdrawn. Duncan Dovico Risk & Assurance Pty Limited has not authorised the issue of the Replacement Prospectus and accordingly, makes no representation and takes no responsibility for any other statements or material in or omissions from the Replacement Prospectus.

Yours faithfully

**DUNCAN DOVICO RISK & ASSURANCE PTY LTD**



**ROSEMARY MEGALE**  
**DIRECTOR**

Dated in Sydney, this 26th day of October 2012

**DUNCAN DOVICO RISK & ASSURANCE PTY LIMITED**  
Level 12, 90 Anchor Street, North Sydney NSW 2060 • PO Box 1994, North Sydney NSW 2060  
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## **SECTION 11**

### **INDEPENDENT REPORT ON TENEMENTS**

27/10/12

## INDEPENDENT TENEMENT REPORT

TO: The Directors  
MGT Resources Limited  
Suite 2.05B, Level 2  
68 York Street  
SYDNEY NSW 2000

This report has been prepared for inclusion in the Prospectus to be issued by MGT Resources Limited (ACN 131 715 845) (the Company) to raise between \$1,000,000.00 - \$2,000,000.00. The offer in the Prospectus consists of the issue of between 5 - 10 million shares at an issue price of 20 cents per share.

### 1. Scope

- 1.1 The Company requested that we prepare an independent tenement report (Report) on the mining tenements (Tenements) in which the Company and its subsidiaries hold an interest.
- 1.2 The subsidiaries of the Company for the purposes of this report include MGT Mining Limited and Garimpos Pty Limited (Subsidiaries).
- 1.3 The Tenements are located in North and Central Queensland. Details of the Tenements are set out in Schedule 1 of this Report.

### 2. Searches

- 2.1 In preparing this Report we reviewed documents and reports provided by the Company and have conducted searches in respect of the Tenements listed in Schedule 1 in the following Registers:-
  - Queensland Department of Natural Resources and Mines (DNRM) – Mining Tenement searches 24 October 2012.
  - Queensland Department of Environment and Heritage Protection (DEHP) – 13 September 2012.
  - Queensland Department of Natural Resources and Mines – Queensland Heritage Register 13 September 2012.
  - Queensland Department of Aboriginal and Torres Strait Islander Multicultural Affairs – Aboriginal Heritage Register 13 September 2012.
  - National Native Title Tribunal – Register of Native Title Claims, Determinations and Indigenous Land Use Agreements (ILUA's) – 18 September 2012.
  - Australian Securities and Investment Commission (ASIC) – Company Extracts 12 September 2012.
  - National Stock Exchange – Official Listing 10 February 2012
  - Personal Property Securities Register (PPS) – Registered Securities 13 September 2012.
  - All material agreements relating to the Tenements provided to us by the Company, its Subsidiaries, contractors, employees and from other sources as authorised by the Company and other publicly available documents and reports.



ELM\_12033\_1029052

Our Offices and Global Branches: Cairns QLD 4870 | PO Box 5540 Cairns QLD 4870, Australia  
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ABN 13 316 486 208

### 3. Executive Summary

3.1 Subject to the qualifications and assumptions in this Report, we are of the view that as at the date of the relevant searches, this Report provides an accurate statement as to the status of the Tenements and the Company's interests in these Tenements.

#### 3.2 *Company's Interests*

The Company or its Subsidiaries hold a registered 100% interest in the Tenements set out in Schedule 1.

#### 3.3 *Rent*

As at the date of our searches, the annual rental for the relevant Mining Leases (ML) and Exploration Permits for Minerals (EPM) has been paid to date. Invoices have not yet been issued by the Department of Mines and Energy with respect to ML 20547.

#### 3.4 *Rates*

Rates payable to Tablelands Regional Council with respect to the Mining Leases are paid to date.

#### 3.5 *Expenditure*

The minimum annual expenditure requirements with respect to the EPM's are set out in Schedule 1. Failure to comply with the expenditure requirements set out in the *Mineral Resources Act 1989* (MRA) may result in forfeiture of the Tenements. No record of non compliance was located in our searches.

#### 3.6 *Conditions*

General conditions as set out in the MRA and *Environmental Protection Act 2008* (EPA) apply to all the Tenements. In addition, special conditions apply with respect to EPM 12887. The special conditions are set out in Schedule 3.

#### 3.7 *Charges and Encumbrances*

There are no charges or encumbrances currently registered against the Tenements as at the date of our searches of the Registers held at the Department of Natural Resources and Mines or the Proposed Properties Security (PPS) Register. There are four securities registered on the PPS Register against the Company's assets.

#### 3.8 *Native Title*

Schedule 2 contains details of the native title claims, ILUA's and Right to Negotiate agreements which are currently registered or entered into with respect to the Tenements.

#### 3.9 *Aboriginal Cultural Heritage Register*

A limited search of the Heritage Register indicates there are no recorded sites of Aboriginal cultural heritage significance contained within the area of the Tenements. Two Tenements contain cultural heritage artefacts.

#### 3.10 *Queensland Heritage Register*

Our searches indicate that there are no sites located within the Tenements registered on the Queensland Heritage Register.



### 3.11 *Environmentally Sensitive Area Register*

Schedule 4 contains maps which indicate environmentally sensitive areas with respect to the location of the Tenements. EPM 12887 contains some areas which are classified as environmentally sensitive areas as these areas contain endangered ecosystems, river improvement areas and the catchment area for the Bundekin Falls Dam. EPM 15428 contains some areas which are classified as environmentally sensitive as these areas contain endangered ecosystems and timber reserves.

### 3.12 *Compensation Agreements*

Compensation Agreements have been entered into pursuant to the MRA with relevant landholders of the land the subject of the Tenements. In addition a Compensation Agreement has been entered into with Tablelands Regional Council as the local authority with respect to an unnamed road reserve contained within Mining Lease 20547.

## 4. *Status of the Company*

### *MGT Resources Limited*

MGT Resources Limited was registered on 30 June 2008 and listed on the National Stock Exchange on 10 December 2008 as an Australian public company limited by shares. The intention of the Prospectus which is to be issued is to raise between \$1,000,000.00 – \$2,000,000.00.

The company currently has 281,847,040 ordinary shares issued.

MGT Resources Limited is the ultimate holding company of MGT Mining Limited and Garimperos Pty Limited.

### *MGT Mining Limited*

MGT Mining Limited is a subsidiary of MGT Resources Limited. MGT Mining Limited was registered on 16 June 2008 and is an unlisted Australian public company limited by shares.

There are 68,888,684 ordinary shares issued.

There are four charges registered on the PPS Register. As a result of the enactment of the *Personal Property Securities Act 2009* (PPS), the securities are now registered on the PPS Register as follows:-

Registration Number	Holder	Collateral	Value
201112204884484	Westpac Banking Corporation	Backhoe; Toyota Double Cab; Nissan Truck	\$132,383.00
201205240013516	Origin Energy Retail Limited	LPG Storage Equipment and Related facilities – all present and after acquired property	Market value
201208230038810	Sandvik Mining and Construction Australia Pty Ltd	All goods sold leased rented bailed consigned or otherwise made available not limited to parts consumables and equipment present and after acquired	Market value
201208230041378	Sandvik Mining and Construction Australia Pty Ltd	All goods sold leased rented bailed consigned or otherwise made available not limited to parts consumables and equipment present and after acquired	Market value

#### ***Garimperos Pty Limited***

Garimperos Pty Limited was registered on 8 February 2002 as an Australian proprietary company limited by shares. The company is beneficially owned with 10,185,000 shares issued which are entirely held in the name of MGT Mining Limited as the holding company of Garimperos Pty Limited.

#### **5. Material Agreements**

We are not aware that the Company has entered into any material contracts with respect to the Tenements which are the subject of this Report.

#### **6. Tenements**

The Tenements currently held by the Company or its Subsidiaries comprise of Exploration Permits for Minerals (Qld) (EPM) and Mining Leases (Qld) granted under the MRA.

The Tenements as set out in Schedule 1 contain details with respect to the date of the grant, expiration date, location, area and conditions.

Set out below is an overview of the relevant legislative requirements with respect to the Tenements.

##### **6.1 EPM**

###### **(a) An application**

A party may make an application for an EPM with the Department of Natural Resources and Mines (DNRM).

An EPM may be granted in accordance with the MRA to an eligible person.

The EPM may be granted subject to conditions and a holder of an EPM must comply with the standard conditions contained within the MRA, Code of Environmental Compliance as required by the Department of Environment and Heritage Protection (DEHP) and any special conditions imposed on the grant by the Mining Registrar.

###### **(b) Access**

The holder of an EPM may enter onto the land to conduct exploration activities as authorised under the EPM.

The holder of an EPM must also enter into a Conduct and Compensation Agreement with landowners in relation to activities on the land which is the subject of the EPM. The Conduct and Compensation Agreement must be entered into in accordance with the provisions of the MRA and the Land Access Code.

###### **(c) Term**

An EPM may be granted for a term of five years with a renewal term of not more than five years.

###### **(d) Conditions**

Section 141 of the MRA contains the standard conditions which apply with respect to the grant of an EPM. Standard conditions include compliance with the Land Access Code, restoration of the permit area and any other conditions which the Mining Registrar may impose at its discretion.

Failure to comply with the standard conditions, Code of Environmental Compliance and/or special conditions set out in an EPM may lead to forfeiture of the EPM.

(e) **Application for a Mining Lease**

An EPM holder is granted priority to apply for a Mining Lease over any land that is the subject of an EPM.

(f) **Assignment/Transfer**

An EPM may be assigned with Ministerial consent.

(g) **Renewals lodged**

Where an application has been lodged to renew an EPM the mining tenement holder may continue exploration activities on the land which is the subject of that EPM until such time as the application for renewal is either approved or rejected.

6.2 Provided the Company continues to comply with its obligations under the MRA and in accordance with the conditions of the EPM then the renewal of the EPM is likely to be approved. The approval may be subject to conditions which may be imposed at the discretion of the Minister. *Mining Lease*

(a) **Application**

Ministerial consent is required to the grant of a Mining Lease. Any person may lodge an application for a Mining Lease although an EPM holder has priority. A person must be an eligible person for the purpose of the MRA.

Relevant information including a mining program, method of operation, estimate of resources, technical, financial and environmental management plans and confirmation of the person's availability to commence mining operations must be provided to the Mining Registrar prior to the grant of a Mining Lease.

(b) **Access**

The holder of a Mining Lease is authorised to enter the land the subject of the Mining Lease to conduct the authorised activities and has exclusive rights to the land for these authorised mining activities.

Compensation agreements must be entered into with landowners with respect to access and the impact of the mining activities on the land which may result in loss or damage to the landowner's property.

(c) **Term**

The term with respect to a Mining Lease is set and approved by the Governor in Council.

(d) **Conditions**

Section 276 of the MRA sets out the standard conditions which apply on the grant of a Mining Lease. These standard conditions include authorised activities, carrying out improvement restoration and removal of all plant and equipment on expiration of the Mining Lease. In addition, the Code of Environmental Compliance Mining Lease Projects will apply.

(e) **Assignment/Transfer**



The consent of the Minister is required to assign a Mining Lease. A Mining Lease may only be assigned to an eligible person as defined in the MRA.

All the Tenements the subject of this Report appear to have been validly granted except for ML 20547 which, at the date of this Report, is at application stage and not yet granted.

## 7. Conditions/Exclusions

Mining Lease 4348 is granted subject to the standard conditions of the MRA, Environmental Protection Regulation 2008 (Regulation) and the relevant Code of Environmental Compliance. Restricted Area 42 is registered on the title of ML 4348. Restricted Area 42 commenced on 3 August 1992 as a wet tropic conservation area which prevented the grant of new mining tenements although existing grants could continue. This restriction was revoked on 1 December 1993 and no restrictions apply to activities on this Mining Lease. The Company currently has an Environmental Management Plan with respect to this Mining Lease and an Environmental Compliance Notice has been issued by DEHP.

Mining Leases 20855, 20547 and EPM 8402 are granted subject to the standard conditions of the MRA, Regulation and relevant Code of Environmental Compliance.

EPM 16848 is granted subject to the standard conditions of the MRA, Regulation and relevant Code of Environmental Compliance. In addition, exclusions apply and any current Mining Claims, Mineral Development Licences or Mining Leases which were in existence at the time of the grant of the EPM and within the EPM will continue. EPM 12834 is granted subject to the standard conditions of the MRA, Regulation and relevant Code of Environmental Compliance. In addition, freehold and exclusive possession tenures and dedicated roads are excluded from the area of the EPM.

EPM 12887 is granted subject to the standard conditions of the MRA, Regulation and relevant Code of Environmental Compliance and special conditions as this EPM is located within the Burdekin Falls Dam Catchment area.

EPM 15428 is granted subject to the standard conditions of the MRA, Regulation and Code of Environmental Compliance. Exclusions apply to any current Mining Claim, Mining Lease or Mineral Development Licence in existence at the time of the grant of the EPM and which are contained within the EPM area. Any land the subject of an exclusive possession tenure such as freehold, dedicated roads or railway land is also excluded.

## 8. Native Title

The Native Title Act 1993 (Cth) (NTA) was enacted as a result of the High Court Decision in *Mabo v Queensland (No. 2)* (1992) 175CLR1.

The NTA provides:-

- Any land tenure granted or renewed, including mining tenements, after 23 December 1998 is taken to be a Future Act for the purposes of NTA and the Future Act provisions will apply.

### (a) Future Acts Provisions

Part 2 of the NTA sets out the Future Act provisions and the procedures required to deal with native title rights and interests on the land the subject of a proposed act.

Where the proposed grant is a mining tenement, the Future Act provisions sets out the following alternatives:-

#### 1. Right to Negotiate

An applicant for a mining tenement may enter into a formal negotiation process with any registered native title claimants and holders of native title rights and interests in the land the subject of the mining tenement.

The agreement is a formal negotiation which usually includes compensation which is to be payable to the registered native title claimants and holders of native title that are party to the agreement and may also include special conditions with respect to cultural heritage, sites of significance and other appropriate conditions.

## 2. Indigenous Land Use Agreement (ILUA)

An ILUA is a contract between the applicant for the mining tenement and all the registered native title claimants and the State may also be a party.

An ILUA sets out the terms on which the mining tenement can be granted and may also specify the activities that may be undertaken on the mining tenement. An ILUA may contain conditions with respect to compensation, monetary or not, which is payable to the native title claimants and also a provision whereby the ILUA is transferred to any assignee of the mining tenement.

An ILUA is registered at the Native Title Registry and binds the whole native title claimant group and all holders of native title in the area including any future claimants.

## 3. Expedited Procedures

A grant of a mining tenement can occur under the Expedited Procedures as set out in the NTA. Pursuant to the Expedited Procedures, a mining tenement may be granted where:-

- The activities to be undertaken on the mining tenement will not directly interfere with the native title rights and interests of the native title claimants.
- The activities of the tenement holder will not adversely affect areas or sites of special significance to the native title claimants.
- The grant of the mining tenement is not likely to cause a major disturbance to the land or waters which are the subject of the mining tenement.

The Expedited Procedures are undertaken by way of notification which allows any native title holders a four month period in which to object.

### *Exemptions from the Future Act Provisions*

Where a mining tenement was granted prior to 23 December 1998, the grant of the mining tenement is validated under the provisions of the NTA and an Indigenous Land Use Agreement (ILUA) or Right to Negotiate Agreement (RTN) is not required at this stage.

In addition where land has been the subject of a previous exclusive possession act such as freehold and some State leases, native title is extinguished for the purposes of the NTA.

## (b) Registered Native Title Claims, Determinations or ILUA's

Our searches indicate that there are registered native title claims over the land the subject of the Tenements as set out in Schedule 2.

ML 4349, 20855, 20547 and EPM 16848 are the subject of Native Title Claims filed by the Bar Barum People (No. 3 and No. 4). The claims in respect of these tenements are for non – exclusive rights to undertake traditional activities on the land the subject of the tenements. The non – extinguishment principle applies in accordance with section 233 of the NTA. Section 47A of the NTA provides that an interest granted in the land the subject of a claim will prevail. Therefore, mining and exploration activities to be undertaken on the mining tenements will not be adversely affected by a Native Title determination.

The Walda Walda People (No. 4) have filed a Native Title Claim in respect of EPM 8402 and 12834. The Native Title claim is for exclusive possession or traditional activities to be undertaken on the claimed area. However, as above section 233 and section 47A will also apply and therefore any grant of native title rights and interests will not adversely affect any mining or exploration activities on the tenement.

The claim filed by Port Curtis Coral Coast is yet to be determined with respect to EPM 15426 however section 233 and section 47A of the NTA will apply and as such a on determination will not have an adverse impact on the Company's interests in the EPM.

The Claim which the Jangga People have filed and which includes the area of EPM 12887 is for the non –exclusive use with regard to traditional activities on the claimed area. This claim was determined on the 9 October 2012. The Determination provides for non exclusive rights and traditional activities. As above section 233 and section 47A of the NTA will apply and the Company's interests will not be adversely impacted on by this determination. There are no ILUA's registered at the Native Title Registry with respect to any of the Tenements the subject of this Report.

Mining Lease 4349 and EPM 8402 were granted pre 1998 and are validated under the provisions of the NTA and there are no registered ILUAs or RTNs with respect to these two Tenements.

Two RTN's have been entered into by the Company's Subsidiary, Garimpos Pty Limited. An RTN was entered into by Garimpos Pty Limited with the Bar Barum People No. 3 with respect to Mining Lease 20547. A further RTN was entered into by the Company's Subsidiary, MGT Mining Limited, with the Bar Barum People No. 3 and No. 4 with respect to Mining Lease 20855.

Expedited Procedures set out in the NTA apply to EPM 12834, 12887 and 16848 as these are granted to conduct exploration activities which will have minimal impact on native title rights and interests on the land the subject of the EPM's. Native title has excluded part of EPM 15426 from exploration and part is Restricted Area 208 which is a declared catchment area for the Bundekin Falls Dam.

## **9. Land Owner Consent**

- 9.1** All mining activities on land which is the subject of a mining tenement must be conducted in compliance with the general conditions as set out in Section 276 of the MRA and in accordance with any conditions contained in relevant Compensation Agreements.
- 9.2** Section 279 of the MRA requires a tenement holder to enter into a compensation agreement with a land owner whose land is subject to a mining tenement.
- 9.3** The MRA imposes restrictions on the activities of a mining tenement holder to ensure that mining activities are not carried out near the landowner's improvements. In addition the mining tenement holder is required to pay compensation and make good any damage or compensate for any loss which may be incurred by the landowner as a result of the mining tenement holder's activities on the land.



- 8.4 Lot 220 on Crown Plan 803810 is the subject of Mining Lease 20547. A Compensation Agreement has been entered into between the landowner and the Company with respect to access to the land and the conduct of the mining activities on the Mining Lease.
- 8.5 A further Compensation Agreement has been entered into with the landowner of Lot 220 on Crown Plan 803810 with respect to Mining Lease 4348. This agreement provides that the landowner consents to the Company undertaking mining activities on Mining Lease 4348.
- 8.6 A Compensation Agreement has been entered into with Tablelands Regional Council with respect to an unnamed road reserve contained within Lot 220 on Crown Plan 803810 which is also included in Mining Lease 20547. This Compensation Agreement provides that the Company will not undertake any mining activities that will affect the integrity of the road reserve without the prior consent of the Council. The Company is also obliged to repair and maintain the roads to ensure that the roads are maintained for the period of the Mining Lease to a standard that is suitable for a road of this kind.
- 8.7 A Compensation Agreement has been entered into with the landowner of Lot 230 on AP 4557 with respect to Mining Lease 20547. The terms and conditions of this Compensation Agreement provide that the landowner consents to the Company undertaking mining activities on the land the subject of the Mining Lease and the Company will pay an agreed sum in compensation to the landowner.
- 8.8 A Compensation Agreement has been entered into with the landowner of Lot 156 on OL 181 with respect to Mining Lease 20655. This agreement deals with the access to the Mining Lease to undertake mining activities.
- 10. Cultural Heritage**
- 10.1 Our searches of the Queensland Heritage Register indicate that there is a State Heritage Registered Site, being, Coolgarn Battery on Coolgarn Station, Mount Garnet. EPM 18848 is located approximately 5 kilometres from this heritage registered site.
- 10.2 This Heritage Site is not located within EPM 18848 and the mining activities conducted by the Company are unlikely to affect the integrity of this site or have any adverse impact on this site.
- 10.3 Our limited searches indicate that the Tenements do not contain any Cultural Heritage Sites.
- 11. Aboriginal Heritage Register**
- 11.1 The searches we have undertaken indicate there are no known sites of significance of Aboriginal cultural heritage located on the Tenements.
- 11.2 There are Artifact Scatters within EPM 15428 and EPM 18848 and one scarred/carved tree located within EPM 18848.
- 11.3 In accordance the *Aboriginal Cultural Heritage Act 2003 (Qld)*, the Company is obliged to comply with the provisions of this Act and the *Aboriginal and Torres Strait Islander Heritage Protection Act 1984 (Cth)* regardless of whether or not any site has been entered on the Aboriginal Cultural Heritage Register.
- 11.4 In addition, any mining activities undertaken on the Tenements must be conducted in accordance with all applicable legislation both State and Commonwealth to ensure that any objects of cultural significance or sites of cultural significance are provided to or identified by the native title claimants for the area.
- 12. Environmentally Sensitive Areas Register**

- 12.1 Section 151 of the EPA provides that a mining project may be defined as a Level 1 or a Level 2 mining project. Environmentally relevant activities with a low risk of environmental harm are Level 2 activities and environmental authorities issued with respect to Level 2 activities may be code or non-code compliant.
  - 12.2 Code compliant conditions are set in the relevant Code of Environmental Compliance with respect to exploration and mineral development projects and mining lease projects.
  - 12.3 These codes may restrict or prohibit environmentally relevant activities in environmentally sensitive areas which may interfere with, disturb, destroy or otherwise adversely affect the integrity of the environmental values in these areas.
  - 12.4 Our search indicates EPM 12887 and 15428 contain environmentally sensitive areas. EPM 12887 and 15428 both contain some areas which are declared Endangered Regional Ecosystems (Biodiversity Status). In addition EPM 15428 contains two small areas which are declared Timber Reserves.
  - 12.5 EPM 12887 is part of the catchment area for the Burdekin Falls Dam and activities within this catchment area must comply with the relevant Code of Environmental Compliance and special conditions imposed on the grant of the EPM by the Mining Registrar.
  - 12.6 Schedule 3 of the Environmental Protection Regulation 2008 contains the standard conditions which apply to the conduct of environmentally relevant activities on mining tenements.
  - 12.7 The Company is aware of its obligations under the EPA and that any mining activities undertaken in or adjacent to an environmentally sensitive area must be in compliance with the EPA, relevant Code of Environmental Compliance and any special conditions .
13. Environmental Authorities
- 13.1 The environmental authorities (EA) include special conditions which are imposed with respect to each of the Tenements is set out in Schedule 3.
  - 13.2 ML 4349 is a Level 2 mining project for the purposes of the EPA and is code compliant for mining lease projects. An Environmental Compliance Notice was issued in respect of ML 4349 on 14 October 2011.
  - 13.3 ML 20547 is a Level 2 mining project and is non-code compliant. In this case this mining project is to be conducted in accordance with the Code of Environmental Compliance for mining lease projects and exploration and mineral development projects.
  - 13.4 ML 20855 is a Level 2 activity and is code compliant for mining projects.
  - 13.5 EPM 8402, 12887, 15428 and 16848 are subject to Code of Environmental Compliance for exploration and mineral development projects.
  - 13.6 Special conditions are set out in Schedule 3 also apply and the activities on the affected Tenements must be undertaken in compliance with the relevant Codes of Compliance and special conditions.
  - 13.7 Failure to undertake mining activities in accordance with relevant EA and relevant Codes of Environmental Compliance may lead to forfeiture of the Tenements.
14. Land Court Objection Hearing
- 14.1 An Objection was lodged in the Mining Registrar in Mareeba on 2 September 2011 to the grant of ML 20547 to the Company's Subsidiary, Garimperos Pty Limited on environmental grounds.

- 14.2 The matter was referred to the Land Court, reference 410-10 and WPA 413-10, for hearing 10-11 August 2011.
- 14.3 The Land Court handed down its decision on 28 September 2012 and recommended that the Minister proceed with the application for the grant of ML 20547.
- 14.4 The Objector has 42 days in which to appeal the decision of the Land Court.
- 14.5 Subject to the lodgement of an appeal, the application for ML 20547 will now proceed until it is approved, approved with conditions or refused by the Minister.

**15. Assumptions and Qualifications**

- 15.1 This report is subject to the following qualifications and assumptions:-
- 15.2 The searches we have undertaken were undertaken on the assumption that the searches, registers, extracts and other information and responses which were obtained from relevant government authorities are true, accurate and complete.
- 15.3 This report does not include any charges, encumbrances with respect to the Tenements that are not readily apparent from our searches of the PPS Register.
- 15.4 We have assumed that all agreements including Compensation Agreements and Right to Negotiate Agreements were entered into by duly authorised persons of the Company and/or appropriate officers for the Company who were duly authorised to execute these Agreements.
- 15.5 Our searches and information provided to us indicate that the Company has complied with its requirements under the MRA to ensure the Tenements are in good order and condition.
- 15.6 We have assumed that the Company has complied with all relevant provisions of the MRA dealing with native title including Future Act provisions with respect to native title rights and interests.
- 15.7 Native title may continue to exist on the Tenements and we have not conducted any research as to the validity or accuracy of any native title claims already lodged or any future native title claims nor with respect to any extinguishment of native title rights and interests on any of the Tenements.
- 15.8 With respect to ML 20547, we give no assurance that this Mining Lease will be granted and if granted, that suitable conditions will be imposed upon the grant by the Minister.
- 15.9 We assume the area the subject to the Tenements is as disclosed on the Register of the Mining Registry and it is not possible to verify with accuracy these areas without an appropriate survey.
- 15.10 The information contained in this Report is accurate as at the date the relevant searches were obtained and we cannot comment on the changes, if any, which may have occurred between the date of the searches and the date of the Prospectus.

**16. Consent**

We consent to the disclosure of this Report which is provided solely for the benefit of the Company and the Directors of the Company in connection with the issue of the Prospectus.

MacDonnell's Law



Liability limited by a scheme approved under professional standards legislation.

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# SCHEDULE 1 TENEMENTS

Mining Tenement	Holder	Share	Project	Status	Grant Date	Expiry Date	Area	Annual Rent	Minimum Annual Expenditure	Registered Dealings	Security Deposit Bonds	Exclusions/ Conditions
Mining Lease 4349	Ganimpelos Pty Limited	100%	Summer Hills	Granted	28 March 1985	31 March 2027	18,184.8 ha	\$50.75 per hectare per annum	Not Applicable	None current	\$5,698.00	Nil Restricted Area 42 <sup>1</sup>
Mining Lease 20655	MGT Mining Limited	100%	Heads or Tails	Granted	1 December 2011	31 December 2016	45.5 ha	\$50.75 per hectare per annum	Not Applicable	None current		Nil
Mining Lease 20547	Ganimpelos Pty Limited	100%	Summer Hill	Application			1163.3955 ha	\$50.75 per hectare per annum	Not Applicable	None current		Nil
Exploration Permit Minerals 8402	MGT Mining Limited	100%	Yarrol	Granted	13 November 1991	12 November 2012 Renewal lodged	Current sub blocks - 4	\$525.60		None current	\$10,000.00	Nil
Exploration Permit Minerals 12834	MGT Mining Limited	100%	Mount Steadman	Granted	17 December 1999	16 December 2012	Current sub blocks - 4	\$525.60		None current	\$15,000.00	Exclusion <sup>2</sup>
Exploration Permit Minerals 12887	MGT Mining Limited	100%	Pyramid	Granted	5 August 2004	4 August 2015	Current sub blocks - 16	\$2032.80		None current	\$5,000.00	Restricted Area 206 <sup>3</sup>
Exploration Permit Minerals 15426	MGT Mining Limited	100%	Gooroolba Project	Granted	15 May 2006	14 May 2011 Renewal lodged	Current sub blocks - 50	\$6,352.50	Years 1 to 3 - \$150,000.00 Years 4 to 5 - \$130,000.00	None current	\$2,500.00	Exclusions <sup>4</sup>
Exploration Permit Minerals 16948	MGT Mining Limited	100%	Nymbool Project	Granted	17 February 2009	16 February 2014	Current sub blocks - 25	\$3,176.25	Year 1 - \$250,000.00 Year 2 - \$280,000.00 Year 3 - \$100,000.00 Year 4 - \$100,000.00 Year 5 - \$100,000.00	None current	\$2,500.00	Exclusion <sup>5</sup>

<sup>1</sup> Restricted Area 42 was gazetted on 3 August 1992 and revoked on 1 December 1993. Restricted Area 42 is still noted on the title of ML 4349 but has no effect.

<sup>2</sup> Freshhold and exclusive possession tenures are excluded from this Permit and any validly dedicated roads are also excluded.

<sup>3</sup> This is Restricted Area 206 which is the Burdekin Falls Dam catchment area and conditions with respect to the catchment area apply to any exploration activities undertaken on this EPM. These conditions apply to inundation above the full supply level of the Burdekin Falls Dam, releases of water from the dam, stability of the banks and beds of the watercourses and pollution of the watercourses.

<sup>4</sup> Land over which previous exclusive possession acts have been granted are excluded from this Permit along with validly dedicated roads and railway land.

<sup>5</sup> Any current mining claim, mineral development licence or mining lease are excluded from this Permit.



## SCHEDULE 2

### Native Title Claims, Determinations, ILUA's, Heritage and Compensation Agreements

Mining Tenement	Holder	Native Title Claims/Determinations	ILUA/RTN/Expedited Procedures	Compensation Agreements	Registered Aboriginal/Heritage Sites	Native Title Claim Group
Mining Lease 4349	Garimpos Pty Limited	Bar Barrum People No. 3 QUD 6017/01	Not applicable. Granted prior to 23 December 1996.	Owner of Lot 220 on CP 903610 dated 24 September 2005	No recorded sites	Bar Barrum People
Mining Lease 20655	MGT Mining Limited	Bar Barrum People No. 3 QUD 6017/01 Bar Barrum People No. 4 QUD 6030/01	RTN dated 13 October 2011	Owner of Lot 156 on LL197 dated 30 May 2010	No recorded sites	Bar Barrum People
Mining Lease 20547	Garimpos Pty Limited	Bar Barrum People No. 3 QUD 6017/01	RTN dated 13 October 2011	Owners of Lot 230 AP4557 dated 27 May 2010 Tablelands Regional Council – Road Reserve dated 23 July 2010 Owner of Lot 220 on CP 903610 dated 23 July 2010	No recorded sites	Bar Barrum People
Exploration Permit Minerals 8402	MGT Mining Limited	Wakka Wakka People No. 4 QC 12/3 – QUD 91/12	Not applicable. Granted prior to 23 December 1996	Not applicable	No recorded sites	Bailai, Taribelang Bunda, Gooreng Gooreng and Gurang People Wakka Wakka People, Port Curtis Coral Claim and Gidarjil Cultural Heritage Corporation
Exploration Permit Minerals 12834	MGT Mining Limited	Wakka Wakka People No. 4 QC 12/3 – QUD 91/12	Expedited procedures	Not applicable	None registered	Wakka Wakka People
Exploration Permit Minerals 12887	MGT Mining Limited	Jangga People QUD 6230/98	Expedited procedures	Not applicable	None registered	Jangga People and Jangga Operations Pty Ltd
Exploration Permit Minerals 15426	MGT Mining Limited	Port Curtis Coral Coast QUD 6026/01 Native title excludes part of EPM 15426	Not applicable with respect to the excluded areas	Not applicable	No recorded sites Artefact Scatter	Bailai, Taribelang Bunda, Gooreng Gooreng and Gurang People Gidarjil Cultural Heritage Corporation, Wakka Wakka People, Port Curtis Coral Coast Claim,
Exploration Permit Minerals 16948	MGT Mining Limited	Bar Barrum People No. 3 QUD 6017/01 Bar Barrum People No. 4 QUD 6030/01	Expedited procedures	Not applicable	Artefact Scatter Scarred/ Carved Tree	Bar Barrum People

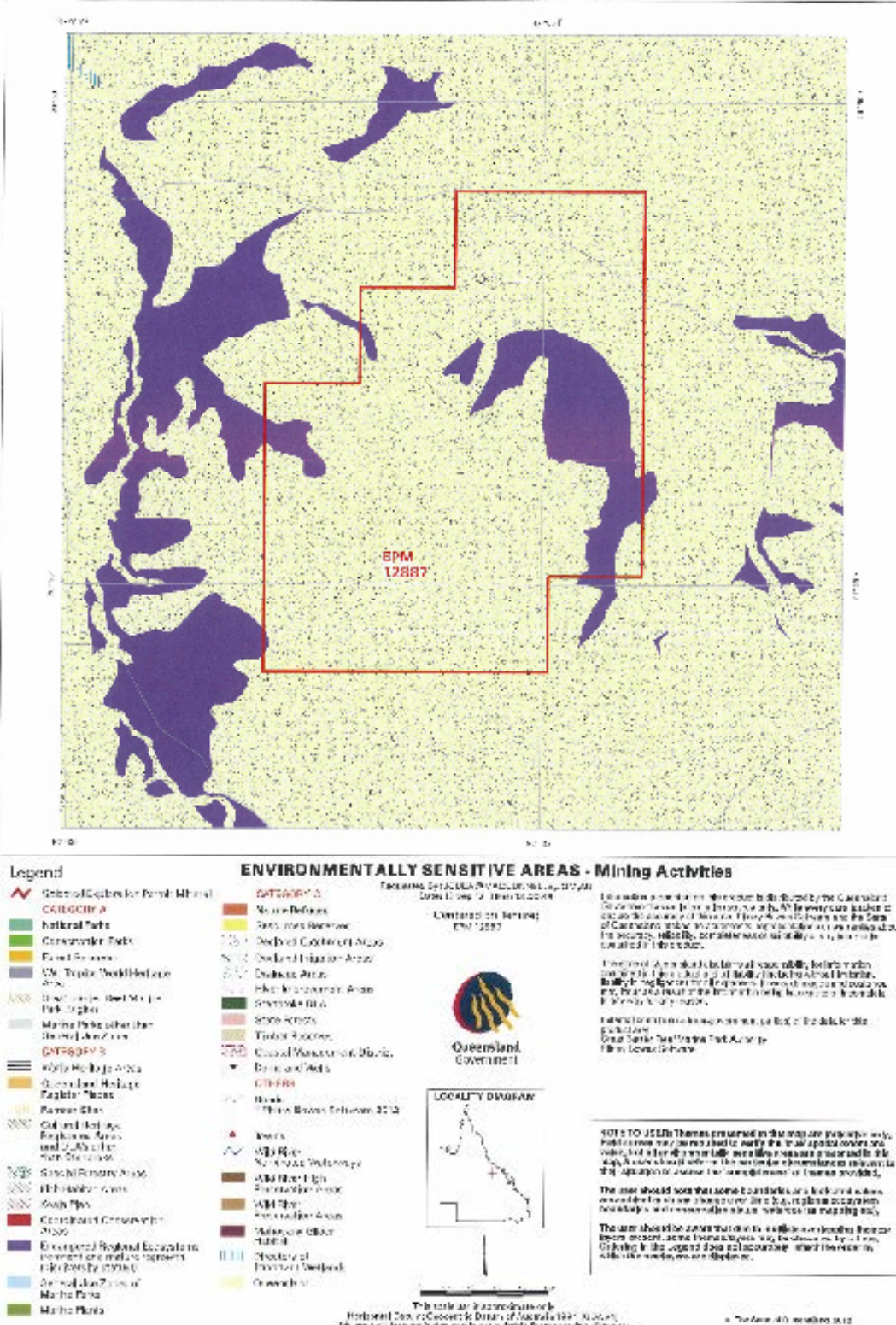
### SCHEDULE 3

#### ENVIRONMENTAL AUTHORITIES

Mining Tenement	Holder	Environmental Authority No.	Financial Assurance	Project Level	Date Granted	Environmental Compliance	Special Conditions
Mining Lease 4349	Garimpos Limited	MIC200785608	\$5,598.00	Level 2	9/7/2008	Code	Environmental Management Plan in place Environmental Compliance Notice issued
Mining Lease 20655	MGT Mining Limited	MIC201043010	To be determined by the administering authority	Level 2	1/7/2010	Code	Not applicable
Mining Lease 20547	Garimpos Limited	MIN200834208	To be determined by the administering authority	Level 2	When ML 20547 is approved	Non-Code	Environment Authority to come into effect with ML 20547 is approved
Exploration Permit Minerals 8402	MGT Mining Limited	MIC201645810	To be determined by the administering authority	Level 2	When EPM approved	Code	Not applicable
Exploration Permit Minerals 12834	MGT Mining Limited	MIC201645610	To be determined by the administering authority	Level 2	When EPM approved	Code	Not applicable
Exploration Permit Minerals 12887	MGT Mining Limited	MIC200613507	To be determined by the administering authority	Level 2	When EPM approved	Code	Restricted area 206 – endangered regional ecosystem Catchment area for Burdekin Falls Dam
Exploration Permit Minerals 15426	MGT Mining Limited	MIC200407206	To be determined by the administering authority	Level 2	When EPM approved	Code	Not applicable Note: some areas of endangered regional ecosystem
Exploration Permit Minerals 16948	MGT Mining Limited	MIC200628407	To be determined by the administering authority	Level 2	When EPM approved	Code	Not applicable



## ENVIRONMENTALLY SENSITIVE AREAS MAPS







## SECTION 12

### DIRECTORS, SENIOR MANAGEMENT AND CORPORATE GOVERNANCE

#### 12.1 Board of Directors

##### Mr. Jonathan Back

Role	Chairman and Managing Director
Expertise	<p>Mr. Jonathan Back is a qualified solicitor in England and Wales. Prior to working as a lawyer, Jonathan graduated from Oxford University and was awarded the Vinerian Scholarship for the best performance in the Bachelor of Civil Laws degree.</p> <p>Jonathan has over 18 years of experience in law and finance internationally, having spent significant periods in Europe, Hong Kong and Australia.</p> <p>Jonathan first worked as a lawyer for the leading UK firm Linklaters for 4 years, specializing in large project finance transactions. This included the acquisition of the Gladstone Power Station in Queensland by a consortium expanding the Boyne Island aluminium smelter. Jonathan then worked for Schroders in the UK and in Hong Kong where he also focused on large infrastructure and energy projects including large power station projects in Portugal and the UK as well as port and energy projects across Australia and Asia.</p> <p>Following this Jonathan worked with Goldman Sachs in Hong Kong focusing on raising equity capital for telecoms and technology companies. Jonathan was then recruited by JPMorgan to join their equity team in Hong Kong, which he ran until 2007. During this time he worked on numerous transactions across different industries.</p>
Interests In Company Securities	<p>Direct Shares: 79,029,727</p> <p>Indirect Shares: 2,400,000</p> <p>Direct Options: 3,150,000</p>
Remuneration	\$120,000 per annum
Independence or affiliations	Jonathan is a substantial Shareholder (refer to Section 5.7 for further details).

##### Mr. Gary Kuo

Role	Executive Director and Chief Operations Officer
Expertise	<p>With more than 10 years' experience in international import &amp; exporting, Mr. Gary Kuo has extensive experience in commodities trading, international business development and strategic alliance planning.</p> <p>Having bases in both Australia and China, Gary specializes in dealing with corporations in the mining &amp; producing sector. Gary works closely with his wide network of corporate and governmental contacts in countries such as China, Taiwan, Hong Kong, Singapore, Malaysia and Indonesia.</p>
Interests In Company Securities	<p>Direct Shares: Nil</p> <p>Indirect Shares: 27,208,000</p> <p>Direct Options: 2,750,000</p>
Remuneration	\$145,200 per annum including superannuation
Independence or affiliations	Gary is a director and shareholder of KuoKai Pty Ltd which holds a substantial number of shares in MGT (refer to Section 5.7 for further details)

## Mr. Robert Vagnoni

Role	Non-Executive Director (Independent)
Expertise	<p>Mr. Robert Vagnoni is a mechanical engineer with 28 years in the global mining and construction industry and has extensive experience in corporate, project development and implementation of a diverse range of projects in Australia and overseas. He has held senior executive roles with major mining companies and engineering consultants specializing in project development and management, feasibilities, plant design and commissioning.</p> <p>Robert was a co-founder of publically listed mining companies, Murchison Metals and Extract Resources.</p>
Interests In Company Securities	Direct Shares: Nil Indirect Shares: 8,443,000 Direct Options: 1,450,000
Remuneration	\$25,000 per annum
Independence or affiliations	In the view of the Board, Robert Vagnoni is an “independent director” as he is free from any business or other relationship that could materially interfere with, or reasonably be perceived to interfere with, the independent exercise of his judgment.

## Mr. George Monemvasitis

Role	Non-Executive Director
Expertise	<p>Mr. George Monemvasitis is an engineer and corporate investor. A graduate in Mechanical Engineering from the Institute of Technology, Sydney, George has over 10 years experience in engineering analysis of resource sector capital raising both within Australia and China . A member of the Australian Institute of Company Directors, George brings a wealth of technical knowledge and corporate governance.</p>
Interests In Company Securities	Direct Shares: 4 Indirect Shares: 4,482,354 Direct Options: 4,250,000
Remuneration	Nil
Independence or affiliations	George is not the nominee or representative of a Substantial Shareholder

## Mr. Li Hai Jun

Role	Non-Executive Director
Expertise	<p>Mr Li Hai Jun holds a Bachelor of Mechanical Engineering degree from the Beijing Architecture Engineering University, China. He has worked for one of the biggest state owned companies which has imported plant and equipment for more than 280 projects for the nation in the iron &amp; steel sector and other industrial sectors. Since 1989 Hai Jun has worked for a subsidiary company under Thyssen in Germany and then moved to Singapore to work as the Managing Director of Golden Mall Enterprise until 1999.</p> <p>Hai Jun has rich experience in connecting foreign companies with Chinese enterprises and ever been involved in more than 30 big projects with success. At present Hai Jun is the Managing Director of Unico Development Limited in Beijing providing consulting services to clients globally.</p> <p>In recent years Hai Jun has assisted Australian resources companies in establishing relationship with customers in China leading to a number of successful projects.</p>
Interests In Company Securities	Direct Shares: 22,800,000 Indirect Shares: Nil Direct Options: 250,000
Remuneration	Nil
Independence or affiliations	Hai Jun is a substantial Shareholder (refer to Section 5.7 for further details).

## 12.2 Key Management Personnel

### Mr. Dohn Taylor

Role Managing Director (MGT Mining Limited)

Expertise Dohn has over 20 years of management experience in the manufacturing and resources sectors. He has worked with businesses at all stages of development, with extensive involvement in the incubation of strong, sustainable enterprises. Most recently, this includes the management of a start-up engineering company in the Oil and Gas industry in the Middle East, and assisting in the establishment of a clean technology company in Australia.

Dohn has an MBA (Finance) and is currently undertaking a post-graduate degree in Corporate Governance. He is an Associate Fellow of the Australian Institute of Management, and a Member of the Australian Institute of Company Directors.

### Ms Jacqueline Butler

Role Chief Financial Officer

Expertise Ms. Jacqueline Butler qualified as a Chartered Accountant with the Institute of Chartered Accountant, England and Wales (ICAEW) whilst working and training at Arthur Andersen in London. Prior to that Jacqueline graduated from the University of Exeter, UK with a Bachelor of Arts in Economics and Geography.

Jacqueline has worked within the UK and Europe in various financial roles before coming to Australia in 2005. Prior to joining MGT, Jacqueline was an Associate Director at a small Chartered Accounting firm, Azure Group Pty Ltd, in Sydney where she acted as CFO for a variety of clients including those in the resource sector.

### Mr. Alexander Moody

Role Company Secretary

Expertise Mr. Alexander Moody has ten years of management and administrative experience in the small business sector. He holds company secretary roles at a number of Australian public resources companies.

Alexander holds a Bachelor of International Relations from Bond University, Queensland, and is currently completing an MBA at the Australian Graduate School of Management.

## 12.3 Technical Personnel

### Mr. Max Rangott

Role Senior Consulting Geologist

Expertise Mr. Max Rangott completed a B.Sc. degree in geology at the University of Sydney in 1967, then worked for the next 20 years as an exploration and mine geologist in NSW, Tasmania, Victoria and South Australia for a number of public and private companies. This included several years as the manager of a high-grade open cut zinc mine in the North Flinders Ranges, and eight years as the exploration manager in NSW for a multinational company.

In 1987, Max started work as a consulting and contract geologist, and established Rangott Mineral Exploration Pty. Ltd., which now has around 20 employees and a large list of recurrent clients. The company has a “hands-on” approach to exploration at all levels, and covers the commodities base and precious metals, tin-tungsten, nickel-cobalt, specialty metals, industrial minerals, construction materials, gemstones and asbestos risk. Recent projects have been carried out in NSW, Victoria, Queensland, Mongolia and Fiji.

## Mr. Tony King

Role Consulting Metallurgist

Expertise Mr Tony King is a professional Metallurgist and qualified geologist with over 20 years operational and technical experience within the resource industry. A graduate of the University of Cape Town South Africa, Tony worked for Cominco in the mid 70s as geologist in the field carrying out exploration programs and later held senior positions as Company Chemist for Ardlethan Tin, Gold Copper Exploration Pty Ltd and Great Northern Mining Corporation Ltd.

During this time he completed another degree in Earth Science at Macquarie University, Sydney and in 1987 established Tableland Analytical of which he is principal providing mill, processing design, assay and metallurgical services to the resource industry. Tony is a former director of Allegiance Mining NL where he was General Manager-Operations. He has also been involved in design and construction of coal washing plants and has participated in a wide variety of resource projects.

## Dr Verity Borthwick

Role Operations Geologist

Expertise Dr. Verity Borthwick completed her licentiate and doctorate in Structural Geology at Stockholm University in Sweden focusing on substructural dynamics using experimental and numerical techniques. After completing her PhD she spent six months teaching University-level courses at Stockholm University, including Structural Geology and Igneous Petrology. During her time in academia she published extensively, in both conference proceedings and peer-reviewed journals.

Verity has previously worked in the mining industry for International Base Metals Ltd focusing particularly on their copper prospects in the Flinders Ranges but also gaining experience with a number of other base metals. During this time she was sub-contracted to CopperCo for fieldwork on their Lady Annie copper deposit near Mt Isa, Queensland. She holds a Bachelor of Science majoring in Geology and Geophysics with first class honours. Her honours thesis was sponsored by Barrick Gold of Australia Ltd, for whom she conducted a characterisation of veining at their E42 gold deposit at Lake Cowal, NSW. During her time as an undergraduate and postgraduate she has won numerous prizes and scholarships, including the AusIMM Education Endowment Fund/Alcoa of Australia scholarship.

## Mr. Chris Stone

Role Project Geologist (Mt Garnet Project)

Expertise Mr. Chris Stone completed a B.Sc. degree in 1966 and an M.Sc. in 1972, both at the University of Sydney. From 1967 to 1990 he worked as an exploration and mine geologist in NSW, Queensland, Canada and Malaysia. This included a year as Chief Exploration Geologist for a Malaysian private company. He subsequently gained complementary qualifications in the quarrying, building, logistics and gem cutting industries.

Since 2006, Chris has been employed by Rangott Mineral Exploration Pty. Ltd. as an exploration geologist in NSW, Queensland and Victoria, involved in the commodities copper-gold, tin-tungsten, nickel, iron ore, construction materials, and diamonds. This included a period in a senior supervisory role on the drillout programme for a new underground gold mine in NSW..



## 12.4 Corporate Governance

The Board is committed to safety, sustainable development, maximising performance, generating appropriate levels of Shareholder value and financial return and sustaining the growth and success of the MGT's business and the MGT brand.

The Board is also responsible for the overall corporate governance of the Company and recognises the need for the highest standards of behaviour and accountability in acting in the best interests of the Company as a whole.

The following policies and procedures have been implemented, lodged with the ASIC and are available in full on the Company website at [www.mgt.net.au](http://www.mgt.net.au):

- Board Charter; and Director Independence Questionnaire;
- Audit and Risk Management Committee Policy;
- Nomination and Remuneration Policy;
- Code of Conduct;
- Share Trading Policy;
- Diversity Policy; and
- Continuous Disclosure and Shareholder Communication Policy.

You are able to obtain, free of charge, a copy of each of the above corporate governance policies and procedures by contacting the Company at its registered office during normal business hours during the Offer Period.

In accordance with the recommendations of the ASX, information published on the Company's website includes charters of the Board and its subcommittees, codes of conduct and other policies and procedures relating to the board and its responsibilities.

To the extent that they are relevant to the organisation, the Company has adopted the Eight Corporate Governance Principles and Best Practice Recommendations as published by the ASX Corporate Governance Council. Outlined below are instances where the Company has departed from these principles and best practice recommendations.

### **Recommendation 2.1: A majority of the board should be independent directors.**

Explanation for Departure: The Board currently comprises three (3) non-executive Directors and two (2) executive Directors. Of the five Directors, only Mr Robert Vagnoni, a non-executive Director is considered as independent.

In view of the size of the Company and the nature of its activities, the Board considers that the current mix of skills, qualifications and experience on the Board is consistent with the Company's current circumstances and its long-term interests. The Board will continue to consider the requirement for independent Directors in the context of the Company's then existing circumstances and communicated long term objectives.

### **Recommendation 2.2: The chair should be an independent director.**

Explanation for Departure: The Company's Chairman, Jonathan Back, is an executive Director appointed by the Board.

The Board will continue to assess the requirements of this recommendation in the context of the Company's individual circumstances and its communicated long term objectives.

### **Recommendation 2.3: The roles of chair and chief executive officer should not be exercised by the same individual.**

Explanation for Departure: The roles of the chair and chief executive officer are exercised by Jonathan Back. Given the current size and structure of the Board and the current circumstances of the Company, the Board has elected not to adopt Recommendation 2.3.

### **Recommendation 2.4: The board should establish a nomination committee.**

Explanation for Departure: The Company has not established a separate Nomination Committee.

Given the size of the Board and the Company's current circumstances, the Board considers that no efficiencies or other benefits would be gained by establishing a separate committee. Items that are usually required to be discussed by a Nomination Committee are marked as separate agenda items at Board meetings when required. When the Board

convenes as the Nomination Committee it will operate under the Nomination and Remuneration Policy. The Nomination and Remuneration Policy provides for the Board to meet at least annually and otherwise as required.

**Recommendation 4.1: The board should establish an audit committee.**

**Recommendation 4.2: The audit committee should be structured so that it:**

- consists only of non-executive directors
- consists of a majority of independent directors
- is chaired by an independent chair, who is not chair of the board
- has at least three members

Explanation for Departure: The Company does not comply with Principles 4.1 and 4.2 of the ASX Corporate Governance Principles regarding the establishment and composition of an audit committee. The Board will, however, continue to monitor the requirements of these ASX Corporate Governance Principles in the context of the Company's position and circumstances at the relevant time.

**Recommendation 8.1: The board should establish a remuneration committee.**

**Recommendation 8.2: The remuneration committee should be structured so that it:**

- consists of a majority of independent directors;
- is chaired by an independent chair;
- has at least three members.

Explanation for Departure: The Company has not established a separate Remuneration Committee.

Given the size of the Board and the Company's current operations, the Board considers that no efficiencies or other benefits would be gained by establishing a separate committee. Items that are usually required to be discussed by a Remuneration Committee are marked as separate agenda items at Board meetings when required. When the Board convenes as the Remuneration Committee it will operate as the Remuneration Committee under the Nomination and Remuneration Policy. The Nomination and Remuneration Policy provides for the Board to meet at least annually as the Remuneration Committee and otherwise as required.

## SECTION 13 ADDITIONAL INFORMATION

The Company was incorporated in New South Wales on 30 June 2008 as a public company under the name Mono Resources Ltd ACN 131 715 645. When incorporated, the Company had one Share on issue at \$1.00 per Share. Following incorporation, the Company now has on issue a total of 281,847,040 Shares.

The Company has an 83.48% interest in MGT Mining, a public company incorporated on 16 June 2006, formerly Xtreme Resources Limited. MGT Mining owns 100% of Garimperos Pty Limited, a proprietary company incorporated on 6 February 2002.

Details of Director's interests in the Company are set out in Section 13.3.

### 13.1 Rights attaching to Shares

As at the date of issue and allotment of Shares under the Offer made pursuant to this Prospectus, there will only be one class of share on issue in the Company being fully paid ordinary shares. The rights attaching to the Shares are:

- (a) set out in the Constitution of the Company; and
- (b) in certain circumstances, regulated by the Corporations Act, the ASX Listing Rules, the ASIC Market Integrity Rules, the ASX Clear Operating Rules, the ASX Settlement Operating Rules, NSX Listing Rules\* and the general law.

\*A shareholder meeting has been called to be convened on 13 November 2012 to consider and approve the Company's voluntary withdrawal from the official list of the NSX. This resolution, if approved, is conditional on the Company listing on the official list of the ASX.

A summary of the rights attaching to Shares in the Company is set out below. This summary is qualified by the full terms of the Constitution and does not purport to be exhaustive or to constitute a definitive statement of the rights and liabilities of Shareholders. These rights and liabilities can involve complex questions of law arising from an interaction of the Constitution with statutory and common law requirements. For a Shareholder to obtain a definitive assessment of the rights and liabilities which attach to Shares in any specific circumstances, the Shareholder should seek legal advice.

#### (a) General meeting and notices

Each Shareholder is entitled to receive notice of, and to attend, general meetings of the Company and to receive all notices, accounts and other documents required to be sent to Shareholders under the Constitution, the Corporations Act, the NSX Listing Rules and the ASX Listing Rules.

Shareholders may requisition meetings in accordance with section 249D of the Corporations Act and the Constitution.

#### (b) Voting rights

Subject to any special rights or restrictions for the time being attached to any class or classes of shares (at present there are none), at a general meeting of Shareholders, each Shareholder entitled to vote may vote in person or by an attorney, representative or proxy, unless a poll is demanded by:

- the Chairman;
- at least five Shareholders present or by an attorney or proxy or by representative; or
- a Shareholder or Shareholders present who are together entitled to not less than 5% of the total voting rights of all the Shareholders having the right to vote on the resolution at the meeting.

Every Shareholder present in person or by proxy, attorney or representative has one vote on a show of hands (unless a Shareholder has appointed 2 proxies). On a poll every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder will, in respect of each fully paid Share held by him, or in respect of which he is appointed a proxy, attorney or representative, have, one vote for each Share held.

A person who holds a Share which is not fully paid is entitled, on a poll, to a fraction of a vote equal to the proportion which the amount paid (not credited) bears to the total issue price of the Share.

Where there are 2 or more joint holders of a Share and more than one of them is present at a general meeting and tenders a vote in respect of the Share, the Company will count only the vote of the joint Shareholder whose name appears first in the Company's register of Shareholders.

(c) Issues of new shares

Subject to the Constitution, the Corporations Act, any other laws, the ASX Listing Rules and NSX Listing Rules, the Directors may issue, grant options over or otherwise dispose of unissued Shares to any person at such times at such price and on such terms and conditions and having attached to them such preferred, deferred or other special rights or such restrictions, whether with regard to dividend, voting, return or capital or otherwise and whether as preference shares as the Board from time to time determines, with the rights, and at the times that the Directors decide.

(d) Variation or cancellation of rights

At present, the Company has on issue one class of Shares only, namely ordinary shares.

Subject to the Constitution, the Corporations Act, any other laws, the ASX Listing Rules and NSX Listing Rules, the rights and privileges attaching to any class of Shares on issue in the Company may only be varied or cancelled in any way if the holders of 75% of the shares of that class on issue in the capital of the Company consent to the variation or cancellation in writing, or by special resolution passed at a meeting of the holders of shares of that class.

(e) Transfer of Shares

Generally, ordinary Shares are freely transferable subject to formal requirements and the registration of transfer not resulting in a contravention or failure to observe the provisions of the Constitution, the Corporations Act, any other laws, the ASX Listing Rules and the NSX Listing Rules.

The Directors may decline to register a transfer of Shares where permitted to do so under the NSX and/or ASX Listing Rules.

(f) Dividends

Subject to the Corporations Act, the ASX Listing Rules and any other rights and restrictions attached to a class of shares in the Company, the Company may pay dividends as the Directors resolve. The Directors may from time to time determine the amount, method and timing for payment of dividends to Shareholders.

(g) Winding up

If the Company is wound up and there remains any assets available for distribution to Shareholders, then subject to the rights of holders of Shares issued upon special terms and conditions, the Constitution, the Corporations Act, any other law, the NSX Listing Rules and the ASX Listing Rules, those assets will be distributed amongst the Shareholders by way of returning capital paid up on their Shares and distributing any surplus in proportion to the amount paid up (not credited) on Shares held by them.

(h) Directors

The minimum number of Directors is three. At least two Directors must ordinarily reside in Australia. The Constitution and the Corporations Act contain provisions relating to the rotation and election of Directors.

(i) Alteration to the Constitution

The Constitution can only be amended by special resolution passed by at least three quarters of Shareholders present and voting at a general meeting. At least 28 days written notice, specifying the intention to propose the resolution as a special resolution, must be given.

## 13.2 Terms and Conditions of Options

(a) George Monemvasitis

George Monemvasitis, a non-executive Director, was issued 4,000,000 Options pursuant to the Option Agreement dated 29 June 2010 for services provided to the Company as a Director.

George Monemvasitis was also issued 250,000 Options pursuant to the Option Agreement dated 25 November 2011 for services provided to the Company as a Director. George Monemvasitis was issued these Options under this agreement on the same terms and conditions as set out below except for the exercise price being \$0.30 (30 cents) and the expiry date being 25 November 2014.



### **Exercise price**

The Option Amendment Agreement dated 5 March 2012 between George Monemvasitis and the Company increased the exercise price of each Option from \$0.12 (12.5 cents) to \$0.20 (20 cents) each. The options were issued for nil consideration.

### **Option period**

Each option will expire on 29 June 2013.

### **Method of Exercise of Option**

An Option may be exercised by the option holder at any time prior to the expiry date by sending a completed and signed notice of exercise of Option, together with the payment of the exercise price, to the Company.

The number of options that can be exercised pursuant to each such notice must be at least 50,000 Options.

A notice of exercise is only effective when the Company has received the full amount of the exercise price in cash or cleared funds.

### **Reconstruction**

In the event of any reorganisation (including consolidation, subdivision, reduction or return) of the issued capital of the Company, the optionholder will have a pro rata entitlement in respect of any issued shares to which the Options relate.

### **Ranking of Shares Allotted on Exercise of Option**

All Shares issued upon exercise of the options will rank pari passu in all respects with the Shares.

#### **(b) Gary Kuo**

Gary Kuo, the Chief Operating Officer and Director, was issued 2,000,000 Options pursuant to the Option Agreement dated 29 June 2010 for services provided to the Company as a Director. Gary Kuo was issued the Options on the same terms and conditions as George Monemvasitis' Options in section 13.2(a). The Option Amendment Agreement dated 5 March 2012 between Gary Kuo and the Company increased the exercise price of each Option from \$0.12.5 (12.5 cents) to \$0.20 (20 cents).

Gary Kuo was also issued 750,000 Options pursuant to the Option Agreement dated 25 November 2011 for services provided to the Company as a Director. Gary Kuo was issued these Options under this agreement on the same terms and conditions as George Monemvasitis' Options in section 13.2(a) except for the exercise price being \$0.30 (30 cents) and the expiry date being 25 November 2014.

#### **(c) Jonathan Back**

Jonathan Back, the Chairman and Managing Director, was issued 4,000,000 Options pursuant to the Option Agreement dated 29 June 2010 for services provided to the Company as a Director, of which 2,400,000 Options remain on issue. Jonathan Back was issued the Options on the same terms and conditions as George Monemvasitis' Options in section 13.2(a). The Option Amendment Agreement dated 5 March 2012 between Jonathan Back and the Company increased the exercise price of each Option from \$0.12.5 (12.5 cents) to \$0.20 (20 cents).

Jonathan Back was also issued 750,000 Options pursuant to the Option Agreement dated 25 November 2011 for services provided to the Company as a Director. Jonathan Back was issued these Options under this Option Agreement on the same terms and conditions as George Monemvasitis' Options in section 13.2(a) except for the exercise price being \$0.30 (30 cents) and the expiry date being 25 November 2014.

#### **(d) Robert Vagnoni**

Robert Vagnoni was issued 1,200,000 Options pursuant to the Option Agreement dated 25 November 2011 for services provided to the Company as a Director. Robert Vagnoni was issued these Options under this Option Agreement on the same terms and conditions as George Monemvasitis' Options in Section 13.2(a) except for the exercise price and the expiry date being 25 November 2014. The Option Amendment Agreement dated 5 March 2012 between Robert Vagnoni and the Company increased the exercise price of each Option from \$0.1875 (18.75 cents) to \$0.20 (20 cents).

Robert Vagnoni was also issued 250,000 Options pursuant to the Option Agreement dated 25 November 2011 for services provided to the Company as a Director. Robert Vagnoni was issued these Options under this Option Agreement on the same terms and conditions as George Monemvasitis' Options in Section 13.2(a) except for the exercise price being \$0.30 (30 cents) and the expiry date being 25 November 2014.

**(d) Li Hai Jun**

Li Hai Jun was issued 250,000 Options pursuant to the Option Agreement dated 25 November 2011 for services provided to the Company as a Director. Li Hai Jun was issued these Options under this agreement on the same terms and conditions as George Monemvasitis' Options in section 13.2(a) except for the exercise price being \$0.30 (30 cents) and the expiry date being 25 November 2014.

**(e) Rado Jacob Rebek**

Rado Jacob Rebek was issued 3,000,000 Options pursuant to the Option Agreement dated 29 June 2010 in part-consideration for the provision of services to the Company in his capacity as the former geologist and Director. Rado Jacob Rebek was issued the Options on the same terms and conditions as George Monemvasitis' Options in section 13.2(a) however Rado Jacob Rebek's Options have an exercise price of \$0.10 (10 cents) each.

**(f) David Sutton**

David Sutton was issued 2,000,000 Options pursuant to the Option Agreement dated 17 December 2010 in part-consideration for the provision of services by David Sutton as the sponsoring broker to MGT's listing on the NSX in 2008. David Sutton was issued the Options on the same terms and conditions as George Monemvasitis' Options in section 13.2(a) however David Sutton's Options have an exercise price of \$0.625 (6.25 cents) each and expire on 17 December 2013.

**(g) Damien Leibel**

Damien Leibel was issued 250,000 Options pursuant to the Option Agreement dated 14 June 2011 in part-consideration for the provision of services by Damien Leibel as project manager. Damien Leibel was issued the Options on the same terms and conditions as George Monemvasitis' Options in section 13.2(a) however Damien Leibel's Options have an exercise price of \$0.25 (25 cents) each and expire on 14 June 2014.

**(h) Jacqueline Butler**

Jacqueline Butler was issued 150,000 Options pursuant to the Option Agreement dated 17 October 2011 in part-consideration for the provision of services by Jacqueline Butler as chief financial officer. Jacqueline Butler was issued the Options on the same terms and conditions as George Monemvasitis' Options in section 13.2(a) however Jacqueline Butler's Options have an exercise price of \$0.30 (30 cents) each and expire on 17 October 2014.

**(h) Alexander Moody**

Alexander Moody was issued 150,000 Options pursuant to the Option Agreement dated 17 October 2011 in part-consideration for the provision of services by Alex Moody as company secretary. Alexander Moody was issued the Options on the same terms and conditions as George Monemvasitis' Options in section 13.2(a) however Alexander Moody's Options have an exercise price of \$0.30 (30 cents) each and expire on 17 October 2014.

### 13.3 Directors' interests in Company securities

The Directors are not required to hold any Shares in the Company under the Company's Constitution. The table below sets out details of direct and indirect interests of Directors in the securities of the Company at the date of this Prospectus.

The Directors or their nominees currently each hold or control securities of the Company as follows:

Director	No. of Shares held	%	No of Options Held	%
Jonathan Paul Back	81,429,727	28.89%	3,150,000*	30.01%
Gary Kuo	27,208,000	9.65%	2,750,000+	10.63%
George Monemvasitis	4,482,358	1.59%	4,250,000**	3.10%
Li Hai Jun	22,800,000	8.09%	250,000++	8.18%
Robert Vagnoni	8,443,000	3.00%	1,450,000***	3.51%
	<b>144,363,085</b>	<b>51.22%</b>	<b>11,850,000</b>	<b>55.42%</b>

\* 2,400,000 exercisable @ 20 cents, expiry 29 June 2013

750,000 exercisable @ 30 cents, expiry 25 November 2014 ++250,000 exercisable @ 30 cents, expiry 25 November 2014

+2,000,000 exercisable @ 20 cents, expiry 29 June 2013

750,000 exercisable @ 30 cents, expiry 25 November 2014 \*\*\*1,200,000 exercisable at 20 cents, expiry 25 November 2014

250,000 exercisable @ 30 cents, expiry 25 November 2014

\*\*4,000,000 exercisable @20 cents, expiry 29 June 2013 250,000 exercisable @ 30 cents, expiry 25 November 2014

### 13.4 Company is a disclosing entity

The Company is a disclosing entity under the Corporations Act. It is subject to regular reporting and disclosure obligations under both the Corporations Act and the NSX Listing Rules. These obligations require the Company to notify the NSX of information about specific events and matters as they arise for the purpose of the NSX making the information available to the stock market conducted by the NSX. In particular, the Company has an obligation under the NSX Listing Rules (subject to certain limited exceptions), to notify the NSX once it is, or becomes aware of information concerning the Company which a reasonable person would expect to have a material effect on the price or value of the Shares.

The Company is also required to prepare and lodge with ASIC yearly and half-yearly financial statements accompanied by a Directors' statement and report, and an audit review or report.

Copies of documents lodged with the ASIC in relation to the Company may be obtained from, or inspected at, an ASIC office (see Section 13.5 below).

### 13.5 Copies of documents

Copies of documents lodged by the Company in connection with its reporting and disclosure obligations may be obtained from, or inspected at, an office of ASIC. The Company will provide free of charge to any person who requests it during the period of the Offer, a copy of:

- The Annual Report 2012, being the last 12 month period for which an audited financial report was lodged with ASIC in relation to the Company before the issue of this Prospectus.
- The following continuous disclosure notices given by the Company to notify NSX and/or ASX of information relating to the Company since the Company lodged its Annual Report for the year ended 30 June 2012 and before the date of issue of this Prospectus are as follows:

Date 2012	Type of Announcement
23 October 2012	Proposed changes to the constitution
17 October 2012	Notice of Annual General Meeting & Proxy Form
16 October 2012	Lodgment of Prospectus
11 October 2012	Top 20 Shareholders and Range of Units
10 October 2012	Placement and Off-take agreement
9 September	Amendment to Independent Accountant Report letterhead change
12 September	Annual Report for financial year ended 30 June 2012

Copies of the following documents will be available for inspection, free of charge, throughout the period of the Offer during normal business hours at the principal place of business of the Company at Suite 205B, 68 York Street, Sydney, NSW, 2000:

- (a) this Prospectus;
- (b) the Company's Constitution;
- (c) Independent Geologist's Report
- (d) Board Charter and Director Independence Questionnaire;
- (e) Audit and Risk Management Committee Policy;
- (f) Nomination and Remuneration Policy;
- (g) Code of Conduct;
- (g) Share Trading Policy;
- (i) Diversity Policy; and
- (j) Continuous Disclosure and Shareholder Communication Policy.

### 13.6 Information excluded from continuous disclosure notices

There is no information which has been excluded from a continuous disclosure notice in accordance with the NSX Listing Rules, and which is required to be set out in this Prospectus.

### 13.7 Directors remuneration

Under the Company's Constitution, the non-executive Directors will be paid remuneration for their ordinary services as the Shareholders in a general meeting determines, which may be divided among the Directors in any proportions and in any manner as the Shareholders may from time to time determine.

A shareholder meeting of the Company has been called to be convened on 13 November 2012 to consider and approve an aggregate amount of up to \$100,000 to be paid to non-executive Directors as Directors' fees only. The table below details the remuneration that is payable to each Director:

Director	Director Fees, Consulting \$	Superannuation \$	Total \$
Mr Jonathan Back	120,000	0	120,000
Mr George Monemvasitis	0	0	0
Mr Gary Kuo	134,400	10,800	145,200
Mr Li Hai Jun	0	0	0
Mr Robert Vagnoni	25,000	0	0

### 13.8 Directors' interests

Except as disclosed above or elsewhere in this Prospectus, no Director or proposed director holds at the date of this Prospectus or held at any time during the two years before lodgement of this Prospectus with ASIC, any interest in:

- (a) the formation or promotion of the Company; or
  - (b) property acquired or proposed to be acquired by the Company in connection with its formation or promotion or connection with the Offer; or
  - (c) the Offer.
- Except as disclosed in this Prospectus, no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to any Directors:
- (a) to induce them to become, or to qualify them as, a Director; or
  - (b) for services rendered by them in connection with the formation or promotion of the Company or in connection with the Offer

### 13.9 Related Party Transactions

#### Contract for Services – Jonathan Back

Jonathan Back is a director of and has a controlling interest in Ocean Central Limited. The Company and Ocean Central Limited have entered into a Contract for Services dated 1 July 2011 whereby Jonathan Back provides services to the Company as managing Director of the Company. Ocean Central Limited receives \$120,000 per annum for the provision



of services by Jonathan Back to the Company, although no payments have been made by the Company under this Contract for Services as at the date of this Prospectus. It is the Board's view that given both the circumstances of the Company, and the circumstances of Jonathan Back (including the responsibilities of the position held by Jonathan Back), the remuneration received by Jonathan Back through Ocean Central Limited is reasonable for the purposes of Chapter 2E of the Corporations Act.

#### **Contract for Services – Robert Vagnoni**

Robert Vagnoni is a director of and has an interest in Eriditus Pty Limited. The Company and Eriditus Pty Limited have entered into a Contract for Services dated 1 February 2011 whereby Robert Vagnoni provides services to the Company as a non-executive Director of the Company. Eriditus Pty Limited receives \$25,000 per annum for the provision of services by Robert Vagnoni to the Company. It is the Board's view that given both the circumstances of the Company, and the circumstances of Robert Vagnoni (including the responsibilities of the position held by Robert Vagnoni) the remuneration received by Robert Vagnoni through Eriditus Pty Limited is reasonable for the purposes of Chapter 2E of the Corporations Act.

### **13.10 Director's Confidentiality, Indemnity, Insurance and Access Deed**

The Company has entered into a Confidentiality, Indemnity, Insurance and Access Deed with each Director of the Company. Under these deeds, the Company agrees to indemnify each officer to the extent permitted by the Corporations Act against any liability arising as a result of the officer acting as an officer of the Company. The Company is also required to maintain insurance policies for the benefit of the relevant officer and must also allow the officers to inspect board papers in certain circumstances.

### **13.11 Sub-underwriter Agreements**

#### **Sub-underwriting agreement – Armstrong Industries (HK) Limited**

On 4 October 2012, Armstrong Industries (HK) Limited entered into an agreement with Patersons Securities Limited whereby Armstrong Industries (HK) Limited has agreed to sub-underwrite up to \$500,000 of the Minimum Subscription of the Offer (Armstrong Sub-Underwriting Agreement). The offer to sub-underwrite 2,500,000 Shares under the Offer (Armstrong Firm Sub-Underwriting Commitment Shares) on a firm allocation sub-underwriting basis is conditional upon Patersons Securities Limited entering into an underwriting agreement with the Company (Please refer to section 13.12 for further details regarding the underwriting agreement).

The liability of Armstrong Industries (HK) Limited under the Armstrong Sub-Underwriting Agreement ceases only on the earliest of:

- when the liability of Patersons Securities Limited under the underwriting agreement ceases; or
- when Armstrong Industries (HK) Limited lodges or causes to be lodged valid applications under the Prospectus, together with the appropriate application monies, for any Armstrong Firm Sub-Underwriting Commitment Shares.

#### **Sub-underwriting agreement – Taimetco International Trade Co., Limited**

On 4 October 2012, Taimetco International Trade Co., Limited entered into an agreement with Patersons Securities Limited whereby Taimetco International Trade Co., Limited has agreed to sub-underwrite up to \$500,000 of the Minimum Subscription of the Offer (Taimetco Sub-Underwriting Agreement). The offer to sub-underwrite 2,500,000 Shares under the Offer (Taimetco Firm Sub-Underwriting Commitment Shares) on a firm allocation sub-underwriting basis is conditional upon Patersons Securities Limited entering into an underwriting agreement with the Company (Please refer to section 13.12 for further details regarding the underwriting agreement).

The liability of Taimetco International Trade Co., Limited under the Taimetco Sub-Underwriting Agreement ceases only on the earliest of:

- when the liability of Patersons Securities Limited under the underwriting agreement ceases; or
- when Taimetco International Trade Co., Limited lodges or causes to be lodged valid applications under the Prospectus, together with the appropriate application monies, for any Taimetco Firm Sub-Underwriting Commitment Shares.

### **13.12 Underwriter agreement**

On 11 October 2012 the Company entered into an underwriting agreement with Patersons Securities Limited (Underwriter) pursuant to which the Underwriter agreed to underwrite the Offer up to the \$1,000,000 Minimum Subscription (Underwriting Agreement). The Underwriter may appoint subunderwriters to assist in the performance of its obligations.

## Fees and Expenses

On completion of the Offer the Company has agreed to pay to the Underwriter (or as the Underwriter may in writing direct) an underwriting fee of 4.0% of the underwritten amount being a maximum of \$40,000 as consideration for its underwriting obligation in accordance with the Underwriting Agreement. Any and all sub-underwriting and selling fees to third parties will be met from this fee by the Underwriter.

In addition to the fees described above, the Company has agreed to reimburse the Underwriter for certain agreed costs and expenses incurred by the Underwriter relating to the Offer.

Fees payable to subunderwriters will be at the sole discretion of the Underwriter. The Company will not be responsible for the payment of any fees to subunderwriters.

Subject to certain exclusions relating to negligence, fraud, wilful default or breach of the Underwriting Agreement, the Company has agreed to indemnify the Underwriter against all claims, demands, damages, losses, costs, expenses and liabilities incurred directly or indirectly as a result of the Offer.

## Termination Events

The Underwriter may terminate the Underwriting Agreement on or before the date the Shares are issued under the Offer by written notice to the Company if any one or more of the following occurs:

- (a) any of the All Ordinaries Index, the S&P/ASX 200 Index or the S&P/ASX 300 Metals and Mining Index as published by ASX is at any time after the date of the Underwriting Agreement 10% or more below its respective level as at the close of business immediately before entry into the Underwriting Agreement;
- (b) the Company does not lodge this Prospectus on or before 11 October 2012 or the Prospectus or the Offer is withdrawn by the Company;
- (c) before midnight on the exposure date the ASIC notifies the Company of any deficiency of any kind in the Prospectus or ASIC gives any notice, whether written or oral, to the Company extending (or further extending) the exposure date or giving notice of its intention to so extend and the Company does not remedy that deficiency;
- (d) the Underwriter forms the view on reasonable grounds that a supplementary or replacement prospectus should be lodged with ASIC for any of the reasons referred to in section 719 of the Corporations Act and the Company fails to lodge a supplementary or replacement prospectus in such form and content and within such time as the Underwriter may reasonably require; or
- (e) a supplementary or replacement prospectus is lodged under the Corporations Act without the consent of the Underwriter;
- (f) it transpires that the Prospectus does not contain all the information that investors and their professional advisers would reasonably require to make an informed assessment of:
  - A. the assets and liabilities, financial position and performance, profits and losses and prospects of the Company; and
  - B. the rights and liabilities attaching to the new Shares;
- (g) it transpires that there is a statement in the Prospectus that is misleading or deceptive or likely to mislead or deceive, or that there is an omission from the Prospectus (having regard to the provisions of sections 710, 711 and 716 of the Corporations Act) or if any statement in the Prospectus becomes or misleading or deceptive or likely to mislead or deceive or if the issue of the Prospectus is or becomes misleading or deceptive or likely to mislead or deceive;
- (h) the Company is prevented from allotting the Shares under the Offer within the time required by the Underwriting Agreement, the Corporations Act, the ASX Listing Rules, any statute, regulation or order of a court of competent jurisdiction by ASIC, ASX or any court of competent jurisdiction or any governmental or semi-governmental agency or authority;
- (i) any person (other than the Underwriter) who has previously consented to the inclusion of its, his or her name in the Prospectus or to be named in the Prospectus, withdraws that consent;
- (j) an application is made by ASIC for an order under section 1324B or any other provision of the Corporations Act in relation to the Prospectus, the shortfall notice deadline date has arrived, and that application has not been dismissed or withdrawn;
- (k) ASIC gives notice of its intention to hold a hearing under section 739 of the Corporations Act in relation to the Prospectus to determine if it should make a stop order in relation to the Prospectus or the ASIC makes an interim or final stop order in relation to the Prospectus under section 739 of the Corporations Act;
- (l) the Takeovers Panel makes a declaration that circumstances in relation to the affairs of the Company are unacceptable circumstances under Pt 6.10 of the Corporations Act, or an application for such a declaration is made to the Takeovers Panel;

- (m) any authorisation which is material to anything referred to in the Prospectus is repealed, revoked or terminated or expires, or is modified or amended in a manner unacceptable to the Underwriter;
- (n) a director or senior manager of the MGT Group is charged with an indictable offence;
- (o) default or breach by the Company under the Underwriting Agreement of any terms, condition, covenant or undertaking;
- (p) any representation, warranty or undertaking given by the Company in the Underwriting Agreement is or becomes untrue or incorrect;
- (q) a contravention by the MGT Group of any provision of its constitution, the Corporations Act, the ASX Listing Rules or any other applicable legislation or any policy or requirement of ASIC or ASX;
- (r) an event occurs which gives rise to a material adverse effect or any adverse change or any development including a prospective adverse change after the date of the Underwriting Agreement in the assets, liabilities, financial position, trading results, profits, forecasts, losses, prospects, business or operations of the MGT Group including, without limitation, if any forecast in the Prospectus becomes incapable of being met or in the Underwriter's reasonable opinion, unlikely to be met in the projected time;
- (s) it transpires that any of the due diligence results or any part of the verification material was false, misleading or deceptive or that there was an omission from them;
- (t) a "new circumstance" as referred to in section 719(1) of the Corporations Act arises that is materially adverse from the point of view of an investor;
- (u) without the prior approval of the Underwriter a public statement is made by the Company in relation to the Offer, the issue or the Prospectus;
- (v) any information supplied at any time by the Company or any person on its behalf to the Underwriter in respect of any aspect of the Offer or the issue or the affairs of the MGT Group is or becomes misleading or deceptive or likely to mislead or deceive;
- (w) the official quotation is qualified or conditional other than as set out in the definition of "Official Quotation" in the Underwriting Agreement;
- (x) there is introduced, or there is a public announcement of a proposal to introduce, into the Parliament of Australia or any of its States or Territories any Act or prospective Act or budget or the Reserve Bank of Australia or any Commonwealth or State authority adopts or announces a proposal to adopt any new, or any major change in, existing, monetary, taxation, exchange or fiscal policy;
- (y) there is an outbreak of hostilities or a material escalation of hostilities (whether or not war has been declared) after the date of the Underwriting Agreement involving one or more of Australia, New Zealand, Japan, Russia, the United Kingdom, the United States of America, India, Pakistan, the Peoples Republic of China or any member of the European Union, or a terrorist act is perpetrated on any of those countries or any diplomatic, military, commercial or political establishment of any of those countries anywhere in the world;
- (z) a prescribed occurrence occurs, other than as disclosed in the Prospectus;
- (aa) the Company suspends payment of its debts generally;
- (bb) an event of insolvency occurs in respect of the MGT Group;
- (cc) a judgment in an amount exceeding \$50,000 is obtained against the MGT Group and is not set aside or satisfied within 7 days;
- (dd) litigation, arbitration, administrative or industrial proceedings are after the date of the Underwriting Agreement commenced or threatened against the MGT Group, other than any claims foreshadowed in the Prospectus;
- (ee) there is a change in the composition of the Board or a change in the senior management of the Company before completion of the Offer without the prior written consent of the Underwriter;
- (ff) there is a material change in the major or controlling shareholdings of the MGT Group or a takeover offer or scheme of arrangement pursuant to Chapter 5 or 6 of the Corporations Act is publicly announced in relation to the MGT Group;
- (gg) there is a delay in any specified date in the Timetable which is greater than 3 Business Days;
- (hh) a force majeure affecting the Company's business or any obligation under the Underwriting Agreement lasting in excess of 7 days occurs;
- (ii) the MGT Group passes or takes any steps to pass a resolution under section 254N, section 257A or section 260B of the Corporations Act or a resolution to amend its constitution without the prior written consent of the Underwriter;
- (jj) the MGT Group alters its capital structure in any manner not contemplated by the Prospectus;
- (kk) any of the material contracts is terminated or substantially modified;
- (ll) any person is appointed under any legislation in respect of companies to investigate the affairs of the MGT Group; or



(mm) a suspension or material limitation in trading generally on ASX occurs or any material adverse change or disruption occurs in the existing financial markets, political or economic conditions of Australia, Japan, the United Kingdom, the United States of America or other international financial markets.

### **Representations, warranties and undertakings**

Under the Underwriting Agreement, the Company gives certain representations, warranties and undertakings in a form that is usual for agreements of this kind.

The Underwriting Agreement contains various obligations on the Company, including that the Company must not, without the prior written consent of the Underwriter, at any time after the date of the Underwriting Agreement and at all times up until completion of the Offer, allot or agree to allot or indicate in any way that it may or will allot any Shares or other securities convertible into or exchangeable for equity securities other than the Shares offered under the Prospectus or otherwise disclosed in the Prospectus.

The Company has also undertaken to ensure that the Prospectus and the Offer comply in all material respects with all applicable laws and the ASX Listing Rules.

### **13.13 Convertible Note Deeds**

#### **Unsecured Convertible Note Deed #1**

The Unsecured Convertible Deed dated 11 November 2011 is between the Company and Armstrong Industries HK Limited (Armstrong Convertible Note #1) whereby Armstrong Industries HK Limited advanced \$1,500,000 to the Company by way of a subscription for 10,000,000 unsecured redeemable notes (Notes) the purposes of funding the Company's working capital requirements.

Armstrong Industries HK Limited has a right to convert all or some of its Notes prior to 11 November 2013 at a conversion price of \$0.15 per Note.

#### **Unsecured Convertible Note Deed #2**

The Unsecured Convertible Deed dated 4 May 2012 is between the Company and Armstrong Industries HK Limited (Armstrong Convertible Note #2) whereby Armstrong Industries HK Limited advanced \$1,500,000 to the Company by way of a subscription for 7,700,000 unsecured redeemable notes (Notes) the purposes of funding the Company's working capital requirements.

Armstrong Industries HK Limited has a right to convert all or some of its Notes prior to 4 May 2015 at a conversion price of \$0.20 per Note.

### **13.14 Right to acquire California Creek Mining Leases**

#### **Background**

The Company has entered into an agreement dated 6<sup>th</sup> February 2012 (Option Agreement) with Bookall Mining Company Pty Ltd ACN 110 689 748, the holder of the California Creek Alluvial Tin Project, under which the Company acquires an exclusive right, but not the obligation, to acquire 16 alluvial tin mining leases and one exploration permit (Assets) located approximately 30 km from MGT's existing Mount Garnet operations in North Queensland.

#### **Consideration**

A non-refundable deposit of \$15,000 was paid on 28 February 2012.

At completion under the Option Agreement, the Company has agreed to pay the consideration amount of \$2,085,000 to Bookall Mining Company Pty Ltd. Further capital will be required to be raised by MGT in order to exercise the Option Agreement.



## Condition Precedent

Completion under the Option Agreement of the acquisition of the Assets that the Company does not as yet own is subject to and conditional upon due diligence investigations by the Company on the Assets to the satisfaction of the Company on or before 6 November 2012.

### 13.15 Objection to MLA 20547

#### Background

Objections were lodged with the Mining Registrar on 2 September 2010 to the grant of MLA 20547 to Garimperos. The matter was referred to the Land Court for hearing on 10 to 11 August 2011.

The objections raised included the following:

- reduction in air quality and amenity as a result of mining activities which could also negatively impact on native vegetation;
- possible heavy metal contamination of waterways as a result of mining activities;
- increased traffic on local authority roads in the vicinity of the tenements listed in Schedule 1 of the Independent Tenement Report resulting in damage to the structural capacity of these local authority roads.

#### Decision

On 28 September 2012 the Land Court handed down its judgement in favour of the Company and recommended that MLA 20547 be approved. There is an appeal period of 42 days which expires on 9 November 2012 during which an appeal against the judgment may be made by the objector.

### 13.16 Loan Agreement with MGT Mining Limited

#### Background

On 22 March 2012, the Company and MGT Mining entered into an unsecured loan agreement whereby the Company provided loans in the total amount of \$6,165,243 to MGT Mining for general working capital purposes or for the investment in new plant and equipment (Loan Agreement). Pursuant to the Loan Agreement, the Company may provide further loans to MGT Mining on the same terms and conditions of the Loan Agreement.

#### Interest

The interest rate under the Loan Agreement is 8% per annum or such other rate as the Company and MGT Mining may agree.

#### Repayment Date

MGT Mining will repay the outstanding loan amount plus interest and other monies due and payable on:

- a date agreed in writing between the parties; or
- if a date has not been agreed between parties, 10 business days of written demand from the Company.

### 13.17 Off-take agreement

On 5 August 2012 the Company and Taimetco International Trade Co., Limited ('Taimetco') entered into an Off-take Agreement whereby the Company agrees to sell 20% of its production of tin from certain of its tenements to the Taimetco in return for a \$1.25 million investment in the Company ('Allocation'). In the event that 20% of the Company's tin production is less than 50 tonnes of tin metal, the Company agrees to sell 100% of its tin production to Taimetco. Taimetco may, but is not obliged to, buy tin as described above up to the level of the Allocation. Taimetco may buy tin from the Company in excess of the Allocation, save that the Company shall not be obliged to sell any tin in excess of the Allocation.

#### Price

The price of tin sold under this Off-take agreement shall be based upon the latest then available spot price for tin as published on the London Metal Exchange with consideration for "smelter discount" when selling in the form of concentrated ore.

## Time Period

The Off-take agreement shall run from the date of the Purchaser Investment until the earlier to occur of:

- (a) Taimetco selling its interest in the Company below 6,250,000 Shares within 2 years from the date of this agreement
- (b) an unremedied event of default such that either
  - (i) Taimetco does not pay any money that becomes payable by Taimetco under the Off-take agreement on its due date for payment; or
  - (ii) Taimetco materially breaches the terms of the Off-take agreement and such breach is not rectified within 10 Business Days after Taimetco, as the case may be, receives notice requiring it to do so.
- (c) The date being 20 years from the date of first shipment of tin from the Company to Taimetco.

## 13.18 Interests of experts and advisers

Except as disclosed below or elsewhere in this Prospectus, no person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus, a promoter of the Company or broker to the Offer has, as at the date of this Prospectus, or had at any time during the 2 years before lodgement of this Prospectus with the ASIC, any interests in:

- (a) the formation or promotion of the Company;
- (b) property acquired or proposed to be acquired by the Company in connection with its formation or promotion of the Offer; or
- (c) the Offer, and no amounts have been paid or agreed to be paid (in cash or otherwise), and no benefits have been given or agreed to be given, to any of those persons in connection with the formation or promotion of the Company or the Offer.

HWL Ebsworth Lawyers will be paid approximately \$135,000 (plus GST) in fees for professional legal services as at the date of this Prospectus in connection with this Prospectus. In addition, HWL Ebsworth Lawyers has been paid or is entitled to be paid approximately \$165,000 for professional legal services provided to the Company in the period of 2 years prior to the date of this Prospectus.

Duncan Dovico Pty Limited was appointed to act as the external accountant of the Company with effect from 6 June 2008. In the period prior to the lodgement of the Prospectus, Duncan Dovico Pty Limited has been paid fees by the Company in respect of its services as external accountant.

Duncan Dovico Chartered Accountants was appointed to act as the auditor of the Company with effect from 24 February 2009. In the period prior to the lodgement of the Prospectus, Duncan Dovico Chartered Accountants has been paid fees by the Company in respect of its services as auditor.

Duncan Dovico Risk & Assurance Pty Limited was appointed to act as author of the Investigating Accountant Report. In the period prior to the lodgement of the Prospectus, Duncan Dovico Risk & Assurance Pty Limited has been paid fees by the Company in respect of its services as author of the Investigating Accountant Report.

The Duncan Dovico Group has received the sum of \$258,314 for other professional services from the Company in the last two years.

MacDonnells Law was appointed to act as author of the Independent Tenement Report. In the period prior to the lodgement of the Prospectus, MacDonnells Law has been paid fees by the Company in respect of its services as author of the Independent Tenement Report. MacDonnells Law has received the sum of \$162,407 inc GST from the Company for other professional services in the last two years.

Patersons Securities Limited has acted as Lead Manager and Underwriter to the Company. Details of the fees received and to be received by Patersons Securities Limited are set out in Section 13.12 of the Prospectus.

Minnelex Pty Ltd has acted as Independent Geologist to the Company in relation to this Prospectus. In respect of these services performed, Minnelex Pty Ltd has received the sum of \$9,782 for other professional services to the Company in the last two years

Computershare has been appointed as the Company's share registry and will be paid for these services on normal commercial terms.

Each of the parties referred to in this section 13.16 does not make, or purport to make, any statement in this Prospectus, and is not aware of any statement in this Prospectus which purports to be based on a statement made by any of them, other than as specified in this section.

### 13.19 Expenses of Offer

The estimated expenses of the Offer\*

	Minimum Subscription \$	Maximum Subscription \$
ASIC Lodgement Fee	2,000	2,000
Lead Manager and Underwriter Fees	75,000	75,000
Legal and Tenement Advice	150,000	150,000
Accounting and Taxation	80,000	80,000
Geological and Technical Advice	20,000	20,000
ASX Listing Fee	79,000	79,000
NSX Delisting Fee	20,000	20,000
Printing and administration Fees	24,000	24,000
Total	450,000	450,000

\* exclusive of GST

### 13.20 Consents

- (a) HWL Ebsworth Lawyers Pty Limited has given, and has not withdrawn, its written consent to being named in this Prospectus as solicitors to the Company. HWL Ebsworth Lawyers Pty Limited has not authorised or caused the issue of this Prospectus or the making of the Offer. HWL Ebsworth Lawyers Pty Limited makes no representation regarding, and to the extent permitted by law excludes any responsibility for, any statements in or omissions from any part of this Prospectus.
- (b) Computershare Investor Services Pty Ltd has given and, as at the date hereof, has not withdrawn, its written consent to be named as the Company's share registry. Computershare Investor Services Pty Ltd has had no involvement in the preparation of any part of this Prospectus other than being named as the share registry of the Company. Computershare Investor Services Pty Ltd has not authorised or caused the issue of, and expressly disclaims and takes no responsibility for, any part of this Prospectus.
- (c) Patersons Securities Limited has given and, as the date hereof, has not withdrawn its consent to be named in this Prospectus as the Lead Manager to the Offer and Underwriter of the Minimum Subscription Amount. Patersons Securities Limited has had no involvement in the preparation of any part of this Prospectus other than being named as Lead Manager to the Offer. Patersons Securities Limited has not authorised or caused the issue of this Prospectus or the making of the Offer.
- (d) Duncan Dovico has given its consent to being named in this Prospectus as auditor to the Company and to the inclusion in this Prospectus of its Investigating Accountant's Report and to all statements referring to that report in the form and the context in which they appear and has not withdrawn such consent before lodgement of this Prospectus with ASIC.
- (e) Minnelex Pty Ltd has given its consent to the inclusion in this Prospectus of its Independent Geological Report and to all statements referring to that report in the form and the context in which they appear and has not withdrawn such consent before lodgement of this Prospectus with ASIC.
- (f) MacDonells Lawyers has given its consent to the inclusion in this Prospectus of its Independent Tenement Report and to all statements referring to that report in the form and the context in which they appear and has not withdrawn such consent before lodgement of this Prospectus with ASIC.

### 13.21 Restriction Agreements and Escrow Arrangements

The ASX Listing Rules require that certain persons such as seed capitalists and related parties, enter into restriction agreements under which they are restricted from dealing in a specified number of Shares in the Company held by them, including all of their Shares, for up to 24 months from the date of quotation of those Shares. Each of these persons have agreed to enter into restriction agreements and the restriction agreements will be in the form required by the ASX Listing

Rules over a number of Shares and a period determined by the ASX and restrict the ability of those persons to dispose of, create any security interest in or transfer effective ownership or control of the Shares.

The ASX has granted in-principle confirmations dated 16 July 2012 confirming that escrow would be likely to apply to the Shareholders set out in the table below which sets out the Shares and period during which the Directors, officers and certain larger Existing Holders will be restricted from dealing in their Shares.

Name of holder	Number of shares escrowed	Escrow period imposed by ASX
Iron Ore Trading P/L ATF Mono Trust;	4,482,354	24 months commencing on the date on which quotation of the Shares commences.
Kuokai P/L ATF The Kuo's Group Family Trust	27,208,000	24 months commencing on the date on which quotation of the Shares commences.
Jonathan Back	79,029,727	24 months commencing on the date on which quotation of the Shares commences.
Lia Hai Jun	22,800,000	24 months commencing on the date on which quotation of the Shares commences.
George Monemvasitis	4	24 months commencing on the date on which quotation of the Shares commences.
Jacqueline Sarah Back	2,400,000	24 months commencing on the date on which quotation of the Shares commences.
Eriditus Pty Ltd ATF Robert Vagnoni Family Trust	3,000,000	24 months commencing on the date on which quotation of the Shares commences.
Relayer Investment Pty Ltd;	1,500,000	24 months commencing on the date on which quotation of the Shares commences.
Robert Julio Vagnoni and Anne Christina Maclead ATF Vagnoni Family Trust	900,000	24 months commencing on the date on which quotation of the Shares commences.
Chivers Cove Pty Ltd;	600,000	24 months commencing on the date on which quotation of the Shares commences.
Robert Julio Vagnoni and Anne Christina Maclead ATF Vagnoni Superannuation Family Trust;	2,443,000	24 months commencing on the date on which quotation of the Shares commences.

In addition, in its in-principle confirmations dated 16 July 2012, the ASX has confirmed that convertible notes issued to unrelated parties will be treated as equity securities issued to unrelated seed capitalists, and will be subject to escrow under clause 2 of Appendix 9B.

## 13.22 Litigation

As at the date of this Prospectus, the Company is not involved in any material legal proceedings or arbitration proceedings and the Directors are not aware of any such proceedings pending or threatened against the Company.

## 13.23 Working capital statement

The directors believe that, on completion of the Offer, the Company will have sufficient working capital to carry out its objectives as stated in this Prospectus.

## 13.24 Securities interests

The Company has four securities interests registered on the Personal Property Securities Register against motor vehicles and goods provided by certain suppliers which are detailed in Section 4 of the Independent Tenement's Report, however, the Directors believe that these securities interests are not material to the Company and its operations.

## 13.25 Working capital statement

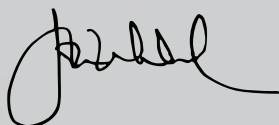
The directors believe that, on completion of the Offer, the Company will have sufficient working capital to carry out its objectives as stated in this Prospectus.



## SECTION 14 - DIRECTORS' STATEMENT AND CONSENT

In accordance with Section 720 of the Corporations Act, each Director has consented to the lodgement of this Prospectus with ASIC and has not withdrawn that consent.

This Prospectus is signed for and on behalf of the Company by:



Jonathan Back

Chairman and Managing Director

Dated: 29 October 2012

## SECTION 15 - DEFINED TERMS, ACRONYMS AND ABBREVIATIONS

These definitions are provided to assist persons in understanding some of the expressions used in this Prospectus.

\$ means an Australian dollar.

**AEST** means Australian Eastern Standard Time, being the time in Sydney, New South Wales.

**Annual Report 2012** means the annual report lodged by the Company with ASIC and includes the corporate directory, chairman's report, review of activities, Shareholder information, financial report of the Company and its controlled entities, together with a Directors' report and auditor's report for the period ending 30 June 2012.

**Applicant** means a person who submits an Application Form.

**Application** means a valid application for Shares under this Prospectus.

**Application Form** means the application form attached to or accompanying this Prospectus relating to the Offer.

**Application Monies** means application monies for Shares received by the Company from an Applicant pursuant to the Offer.

**ASIC** means the Australian Securities & Investments Commission.

**ASX** means ASX Limited ABN 98 008 624 691 (Australian Securities Exchange Limited).

**ASX Listing Rules** means the official listing rules of the ASX.

**Au** means gold.

**Board** means the board of Directors as constituted from time to time.

**CHESS** means NSX Clearing House Electronic Subregistry System.

**Closing Date** means the closing date of the Offer as defined in Section [x] (subject to the Company reserving the right to extend the Closing Date or close the Offer early).

**Company or MGT** means MGT Resources Limited ACN 131 715 645.

**Constitution** means the constitution of the Company.

**Convertible Notes or Notes** means convertible notes on issue in the Company as set out in Section 13.13.

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

**Directors** mean the directors of the Company at the date of this Prospectus.

**Exposure Period** means the period of 7 days after the date of lodgement of the Prospectus, which period may be extended by the ASIC by not more than 7 days pursuant to section 727(3) of the Corporations Act.

**Independent Geologist's Report** means the independent geologist's report prepared by Minnelex Pty Ltd dated 20 September 2012 lodged with ASIC and available on the Company's website [www.mgt.net.au](http://www.mgt.net.au) which upon request, may be provided free of charge to any person in Australia while the Offer is current.

**Lead Manager** means Patersons Securities Limited ACN 008 896 311.

**m** means metres.

**MGT Mining** means MGT Mining Limited ACN 120 236 142.

**Minimum Subscription** means 5,000,000 Shares at an issue price of \$0.20 per Share to raise \$1,000,000.

**NSX** means National Stock Exchange of Australia Limited ABN 11 000 902 063.

**NSX Listing Rules** means the official listing rules of the NSX.

**Offer** means the Offer as defined in Section 1.1.

**Option** means an option to acquire a Share.

## Section 15 - Defined Terms, Acronyms And Abbreviations cont. —→

**oz** means ounces.

**Original Prospectus** means the original prospectus dated 11 October 2012 issued by the Company.

**Prospectus** means this prospectus dated 29 October 2012 which replaces the Original Prospectus issued by the Company.

**Related Parties** means a related parties of the Company per the definition of related parties of a public company in the ASX Listing Rules

**Section** means a section of this Prospectus

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

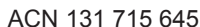
**Shareholder** means a holder of Shares.

**Sn** means tin .

**t** means tonnes.

**tpa** means tonnes per annum.

**Underwriter** means Patersons Securities Limited ACN 008 896 311



Registry Use Only

# Application Form

This Application Form is important. If you are in doubt as to how to deal with it, please contact your stockbroker or professional adviser without delay. You should read the entire Replacement Prospectus carefully before completing this form. To meet the requirements of the Corporations Act, this Application Form must not be distributed unless included in, or accompanied by, the Replacement Prospectus dated 29 October 2012 and any relevant supplementary Replacement Prospectus.

**A** I/we apply for

--	--	--	--	--	--	--	--	--

Number of Ordinary Shares in MGT Resources Limited at \$0.20 per Ordinary Share or such lesser number of Ordinary Shares which may be allocated to me/us.

**I/we lodge full Application Money**

A\$         .

**Individual/Joint applications** - refer to naming standards overleaf for correct forms of registrable title(s)

Title or Company Name	Given Name(s)	Surname

Joint Applicant 2 or Account Designation

[illegible]

Joint Applicant 3 or Account Designation

[illegible]

**D** Enter your postal address - Include State and Postcode

[illegible][illegible]

City / Suburb / Town

[illegible]

State

Postcode

**F** Enter your contact details

Contact Name

Contact Name

Telephone Number - Business Hours / After Hours

Telephone Number: Business Hours / After Hours

( )

**F** **CHESS Participant**

Holder Identification Number (HIN)

[illegible]

Please note that if you supply a CHES HIN but the name and address details on your form do not correspond exactly with the registration details held at CHES, your application will be deemed to be made without the CHES HIN, and any securities issued as a result of the public offering will be held on the Issuer Sponsored subregister.

**Cheque details - Make your cheque or bank draft payable to MGT Resources Limited Application Account**

**G** Drawer                      Cheque Number                      BSB Number                      Account Number                      Amount of cheque

Payee:	Cheque Number:	CCD Number:	Deposit Number:	Amount of Cheque
				A\$

Drawer	Cheque Number	BSB Number	Account Number	Amount of cheque
--------	---------------	------------	----------------	------------------

First:	Second:	Third:	Fourth:	Amount of savings
				A\$

By submitting this Application Form, I/we declare that this application is completed and lodged according to the Replacement Prospectus and the declarations/statements on the reverse of this Application form and I/we declare that all details and statements made by me/us (including the declaration on the reverse of this Application Form) are complete and accurate. I/we agree to be bound by the Constitution of the Company. I/We authorise the Directors of the Company to complete or amend this Application Form where necessary to correct any errors or omissions. **See back of form for completion guidelines.**

M G T F

## Public Offering





# How to complete this form

## A Shares Applied for

Enter the number of Ordinary Shares you wish to apply for. The application must be for a minimum of 10,000 Ordinary Shares. Applications for greater than 10,000 Ordinary Shares must be in multiples of 2,500 Ordinary Shares.

## B Application Monies

Enter the amount of Application Monies. To calculate the amount, multiply the number of Ordinary Shares by the price per Ordinary Share.

## C Applicant Name(s)

Enter the full name you wish to appear on the statement of share holding. This must be either your own name or the name of a company. Up to 3 joint Applicants may register. You should refer to the table below for the correct forms of registrable title. Applications using the wrong form of names may be rejected. Clearing House Electronic Subregister System (CHES) participants should complete their name identically to that presently registered in the CHES system.

## D Postal Address

Enter your postal address for all correspondence. All communications to you from the Registry will be mailed to the person(s) and address as shown. For joint Applicants, only one address can be entered.

## E Contact Details

Enter your contact details. These are not compulsory but will assist us if we need to contact you.

## F CHES

MGT Resources Limited (the Company) will apply to the ASX to participate in CHES, operated by ASX Settlement and Transfer Corporation Pty Ltd, a wholly owned subsidiary of Australian Securities Exchange Limited. In CHES, the company will operate an electronic CHES Subregister of security holdings and an electronic Issuer Sponsored Subregister of security holdings. Together the two Subregisters will make up the Company's principal register of securities.

The Company will not be issuing certificates to applicants in respect of Ordinary Shares allotted. If you are a CHES participant (or are sponsored by a CHES participant) and you wish to hold Ordinary Shares allotted to you under this Application on the CHES Subregister, enter your CHES HIN. Otherwise, leave this section blank and on allotment, you will be sponsored by the Company and allocated a Securityholder Reference Number (SRN).

## G Payment

Make your cheque or bank draft payable to **MGT Resources Limited Application Account** in Australian currency and cross it "Not Negotiable". Your cheque or bank draft must be drawn on an Australian Bank.

Complete the cheque details in the boxes provided. The total amount must agree with the amount shown in box B.

**Cheques will be processed on the day of receipt and as such, sufficient cleared funds must be held in your account as cheques returned unpaid may not be re-presented and may result in your Application being rejected. Paperclip (do not staple) your cheque(s) to the Application Form where indicated. Cash will not be accepted. Receipt for payment will not be forwarded.**

Before completing the Application Form the applicant(s) should read this Replacement Prospectus to which this application relates. By lodging the Application Form, the applicant agrees that this application for Ordinary Shares in MGT Resources Limited is upon and subject to the terms of the Replacement Prospectus and the Constitution of MGT Resources Limited, agrees to take any number of Ordinary Shares that may be allotted to the Applicant(s) pursuant to the Replacement Prospectus and declares that all details and statements made are complete and accurate. It is not necessary to sign the Application Form.

## Lodgement of Application

Completed Application Forms must be received by Computershare Investor Services Pty Limited by no later than 5pm (AEDT) on 16 November 2012. You should allow sufficient time for this to occur. Return the Application Form with cheque(s) attached to:

MGT Resources Limited  
C/- Computershare Investor Services Pty Limited  
GPO Box 52  
MELBOURNE VIC 3001

Neither Computershare nor the Company accepts any responsibility if you lodge the Application Form at any other address or by any other means.

## Privacy Statement

Personal information is collected on this form by Computershare Investor Services Pty Limited ("CIS"), as registrar for securities issuers ("the issuer"), for the purpose of maintaining registers of securityholders, facilitating distribution payments and other corporate actions and communications. Your personal information may be disclosed to our related bodies corporate, to external service companies such as print or mail service providers, or as otherwise required or permitted by law. If you would like details of your personal information held by CIS, or you would like to correct information that is inaccurate, incorrect or out of date, please contact CIS. In accordance with the Corporations Act 2001, you may be sent material (including marketing material) approved by the issuer in addition to general corporate communications. You may elect not to receive marketing material by contacting CIS. You can contact CIS using the details provided on the front of this form or E-mail [privacy@computershare.com.au](mailto:privacy@computershare.com.au)

If you have any enquiries concerning your application, please contact the Computershare Investor Services Pty Limited on 1300 552 270.

## Correct forms of registrable title(s)

Note that ONLY legal entities are allowed to hold Ordinary Shares. Applications must be made in the name(s) of natural persons, companies or other legal entities in accordance with the Corporations Act. At least one full given name and the surname is required for each natural person. The name of the beneficial owner or any other registrable name may be included by way of an account designation if completed exactly as described in the examples of correct forms of registrable title(s) below.

Type of Investor	Correct Form of Registration	Incorrect Form of Registration
Individual - Use given name(s) in full, not initials	Mr John Alfred Smith	J.A Smith
Joint - Use given name(s) in full, not initials	Mr John Alfred Smith & Mrs Janet Marie Smith	John Alfred & Janet Marie Smith
Company - Use company's full title, not abbreviations	ABC Pty Ltd	ABC P/L ABC Co
Trusts - Use trustee(s) personal name(s) - Do not use the name of the trust	Ms Penny Smith <Penny Smith Family A/C>	Penny Smith Family Trust
Deceased Estates - Use executor(s) personal name(s) - Do not use the name of the deceased	Mr Michael Smith <Est John Smith A/C>	Estate of Late John Smith or John Smith Deceased
Minor (a person under the age of 18) - Use the name of a responsible adult with an appropriate designation	Mr John Alfred Smith <Peter Smith A/C>	Master Peter Smith
Partnerships - Use partners personal name(s) - Do not use the name of the partnership	Mr John Smith & Mr Michael Smith <John Smith & Son A/C>	John Smith & Son
Clubs/Unincorporated Bodies/Business Names - Use office bearer(s) personal name(s) - Do not use the name of the club etc	Mrs Janet Smith <ABC Tennis Association A/C>	ABC Tennis Association
Superannuation Funds - Use the name of trustee of the fund - Do not use the name of the fund	John Smith Pty Ltd <Super Fund A/C>	John Smith Pty Ltd Superannuation Fund



# Resources

MGT Resources Limited  
Suite 205B, 68 York Street,  
Sydney, NSW 2000  
Australia

Tel: 61 2 9262 1122

Fax: 61 2 9299 5175

Email: [info@mgt.net.au](mailto:info@mgt.net.au)

Website: [www.mgt.net.au](http://www.mgt.net.au)

ABN: 38 131 715 645

