



QUARTERLY REPORT

FOR THE QUARTER ENDED 30 JUNE 2017

Exploration Highlights:

NORRLIDEN Sweden / VMS / Zinc, Gold, Silver, Copper & Lead / MRG to Farm In

MRG Metals (MRG) entered into an Agreement with Mandalay Resources Corporation (Mandalay) to farm into the Norrliden VMS project in Sweden. Mandalay acquired the Norrliden project as part of the Elgin acquisition in 2014. Due to the focus on Brownfields extensions to their mining operation they have chosen not to develop the exploration Project further themselves. The current size of the Norrliden Norre resource and the different metallurgical character of Norrliden mineralisation discovered make it unsuitable as mill feed for Mandalay's existing Bjorkdal processing facility. However, Mandalay will retain the right to claw- back the project should a significantly larger stand-alone discovery be made.

Norrliden Norra deposit: JORC Resource (Indicated and Inferred):

- 1.5 million tonnes @ 4.4% Zn, 0.4% Pb; 0.8% Cu; 0.8 g/t Au and 59.9 g/t Ag, of which approximately 40% of the tonnes Indicated and 60% Inferred.
- Preliminary economic study was undertaken in 2004.
- Located within an approved Mining Concession.

Fundamentals of the deal for MRG:

- 10% Earn-in after \$500,000 USD sole expenditure within 15 months,
- 25% Earn-in after cumulative \$1,000,000 USD sole expenditure within 27 months,
- 50% Earn-in after cumulative \$3,000,000 USD sole expenditure within 39 months,
- Joint Venture structure to progress the project from here.

The Norrliden JV is located in a key position within the central part of the Paleoproterozoic (c. 1890-1870 Ma) Skellefte Belt in Northern Sweden, 5km to the southeast of the Boliden Group's Mauriliden mines along the main structural corridor and mineralised trend between Boliden and Malå.

The Swedish Boliden Group has dominated production in the district for decades and has established processing facilities at Boliden and smelting facilities in Skellefteå. In more recent years TSX and ASX listed companies such as Mandalay Resources (MRG's JV partner) and S2 Resources Ltd have recognised the untapped potential of the belt, establishing concession holdings in the district and beginning active exploration using the latest available technology. Much of the Skellefte Belt and the majority of the Norrliden JV area is covered by a veil of recent glacial till deposits (up to 50m thick) and MRG's expertise in integrating electrical and potential field geophysics with geochemical analysis from drill holes and surface sampling will be key to taking exploration at Norrliden to the next stage.

There are approximately 20 sulphide deposits, resources and mines within 10km of the Norrliden JV and huge potential for further new discoveries. This list includes Boliden Group's Maurliden Västra and Maurliden Östra operations 5km to the northwest, which have reported pre-mining resources of 5.7Mt (@ 2.7% Zn, 0.3% Cu, 0.7 g/t Au, 44 g/t Ag) and 1.2Mt (@ 0.5% Zn, 0.8% Cu, 0.8 g/t Au, 16 g/t Ag) respectively.

Along-strike 5km to the southeast is the Boliden-owned Bjurliden deposit and S2 Resources' Bjurträskgruvan project, where recent drilling down-dip of known mineralisation returned intercepts of 14.71m @ 2.2% Zn, 1.0% Cu, 5g/t Ag (SBJK17003), 6.28m @ 1.4% Cu, 5.7 g/t Ag (SBJK17004) and 24.4m @ 1.11% Cu, 5.1 g/t Ag (SBJK17006) (*From S2R ASX Announcements March-May 2017*).

5km west of Norrliden is the decommissioned sulphide mine at Högkulla (Boliden Group) and S2 Resources' Skäggräskberget project.

Within the Norrliden JV concessions are three main areas of historical exploration that will be the initial targets of review and exploration by MRG.

Norrliden Norra (North):

Norrliden Norra is located within the JV's approved mining concession (see Table 1) and has a reported historic resource of 1.497Mt @ 4.4% Zn, 0.8% Cu, 0.4% Pb, 0.8 g/t Au, 59.9 g/t Ag (measured and indicated), which was compiled by North Atlantic Resources AB in 2004. Although review of the existing drilling and exploration data is at an early stage, MRG are confident that targeting extensions to known mineralisation at depth and along strike will provide opportunity to increase the resource.

Norrliden Södra (South)

Norrliden Södra is a prospect first identified during the 1930's and is located 500m southwest of Norrliden Norra. It appears to be a separate mineral occurrence from the main resource.

Field work in June 2017 identified sulphide-rich (mainly pyrite and pyrrhotite) mineralisation outcropping at surface beneath the moss and thin glacial till cover where a total of 14 rock chip samples were collected and assayed. *Refer MRG ASX Announcement on 27 July 2017 for further detail.*

Historical trenching (1930's) and very limited exploration drilling has been undertaken at Norrliden Södra but not followed up beyond these initial programs. This prospect will be of high priority once a review of existing exploration data is complete and assay results are reviewed.

Bjurfors Gruvfält

Bjurfors Gruvfält comprises three separate sulphide deposits; Östra, Mellersta and Västra. Bjurfors Östra was a copper-rich deposit that was mined to a depth of approximately 50m via open-pit and underground operations in the 1940's. Limited exploration has been completed beneath the historic open-pit and underground workings and is a key target area for MRG.

Along strike to the west of Bjurfors Östra, the Mellersta and Västra deposits remain unexploited and are distinctly more zinc-lead-rich. North Atlantic Resources Ltd completed a number of holes to test the depth extension at Mellersta. All three deposits are located directly along strike from the Bjurliden (Boliden Group) and Bjurträskgruvan (S2R) deposits.

Future exploration

MRG is completing a review of existing extensive data sets over the three project areas in order to formulate exploration activities for the coming field season.

MRG geologists will undertake mapping and sampling at Norrliden over the next few months of northern hemisphere summer as a forerunner to target testing via drilling.

YARDILLA

MRG drilled seven additional RC holes (1,530 metres total) into the promising alteration system at the Ommaney Prospect during March-April 2017. This second round of drilling succeeded in identifying extensions of the alteration system and wide intervals of anomalous gold mineralisation. *Refer MRG ASX Announcements on 18 May 2017 and 25 May 2017.*

Down hole intervals 30m & 10m of anomalous gold (>0.1g/t) were returned from hole YRRC001 and >35m of extremely anomalous tungsten, indicative of the wider Ommaney alteration system, were intersected in holes YRRC006, YRRC007 & YRRC008. Hole YRRC001 was >500m from the original discovery hole demonstrating the size of the system. While no ore grade intersections were returned, the assay results provide support for MRG's premise that a large gold rich part of the alteration system may occur within the vicinity of the Ommaney Prospect.

More detailed analysis using the Sasak technology is being undertaken to categorise the geochemical signatures found in the drilling completed to date. MRG continues the search for economic mineralisation at Yardilla and further exploration is planned for the remainder of 2017.

Project Background

The Yardilla project is located 95km east-northeast of Norseman, WA and is prospective for gold mineralisation on the boundary between the Archaean Yilgarn Craton and the Proterozoic Albany-Fraser Orogen. MRG holds three exploration licences covering prospective lithology identified from structural and geochemical analysis by Sasak Technology. The Company has also applied for additional ground based on identification of further prospective positions using the same Technology, increasing our land holdings in the area.

Grid based auger sampling program (Sept 2016 – *Refer MRG ASX Announcement on 31 October 2017*) followed by initial diamond drilling (Dec 2016 – *Refer ASX Announcement 20 January 2017*) with follow up RC drilling (March - April 2017) identified wide zones of alteration, accompanied by quartz veining and disseminated pyrite.

MRG's technical partner Sasak used the newly-developed, A.I. based, *Archean Gold Lode Alteration Detection System* (AGLADS) to compare multi-element geochemical data from MRG's drilling at Yardilla with the geochemistry of known Archean Gold Lode Gold Deposits across Western Australia. The results of this indicated that the wide sericite-biotite (+ pyrite, quartz) alteration zone intersected in holes YRDH003A and YRRC001 was characteristic of that found with known Archean gold deposits. Additional drilling is warranted to test for extensions of the alteration zone at Ommaney to find economic gold mineralisation.

QUEENSLAND PROJECTS

Subsequent to the VTEM surveys flown over selected projects in late 2016 and analysis of geochemical and geophysical data by MRG's technical partner Sasak, an initial field program was completed in May 2017. The program was focused on those areas with minimal soil or younger sedimentary cover. For those projects where the targets are under deeper cover, additional ground geophysics is required to generate 3D targets for drill testing.

Grid based geochemical sampling was completed over the Oban (*EPM25883*) and Selwyn (*EPM25887*) Projects and orientation lines over Mount Angelay (*EPM25884 & EPM26167*). Geological mapping and reconnaissance for drilling access was also completed. Additionally, access to the Squirrel Hills Project for drill rig was investigated. Refurbishment of tracks to both Squirrel Hills (*EPM19470*) and Mount Angelay are required prior to drilling.

Extended multi-element geochemical assays have been assessed by the Sasak Technology. One highly anomalous sample recorded a maximum of 279ppb Au from the Oban Prospect, with an interesting association of Au, together with pathfinders Tl, Rb, Cs, Li, MgO, Bi, Zn & W. This is a prospective association of elements suggestive of Au mineralisation, accompanied by intense Potassic Alteration. A more sophisticated comparison of the Oban data will be made as a precursor to infill sampling.

Mildly anomalous results were returned from the orientation sampling at Mount Angelay and a grid based program is planned once improved access to the project area is established. No geochemical anomalism was detected at Selwyn and a further geophysical analysis will be undertaken to determine the future of this project.

A field inspection of the geology at the Squirrel Hills Project revealed that while younger sediments cover 90% of the project, there are sub crop exposures of the Squirrel Hills Granite and the target Starcross formation within topographic lows. The cover varies from thin residual soils and alluvium in the valleys and up to 25m thickness of Mesozoic sediments in the hills. Air core drilling is planned once vehicular access to the site is established.

The target Proterozoic aged rocks at Kamilaroi (*EPM25885*) and Davenport Downs (*EPM19306*) Projects lie under younger sedimentary cover and the development of a discreet drill-target will depend on additional geophysical methods. A ground gravity survey is in planning at Kamilaroi that will extend the existing surveys at the prospect to a wider coverage. Previous drilling by Paradigm Metals intersected 40m @ 0.14% Cu from 397.5 m in magnetic ironstone surrounded by meta sedimentary and calc silicate rocks in the central part of the licence. But analysis of VTEM and magnetic data from MRG's 2016 survey has changed the focus of Company's exploration strategy onto a gravity anomaly to the south.

Enhanced modeling of cover depth over the Davenport Downs Project during January 2016 indicates that the depth of Palaeozoic Eromanga Basin sediments to be in the order 600m to 800m. Effective exploration of a target this deep would be prohibitively expensive despite the prospectivity of the geological setting. MRG is currently reviewing options for using deeper targeting technology before making a decision to continue with the Davenport Downs Project.

The Pulchera Project (*EPM19471*) is located in a remote part of western Queensland and a desktop review indicates that prospective rocks are overlain by 50m to 80m of Eromanga Basin Sediments and sand dunes. MRG is working on further defining the geological and structural framework of the prospect while developing a combined geophysical and geochemical sampling program that will be best suited to the terrain at this remote project. Further development of close working relationships with the leaseholders and Native Title Claimants in the area will be a crucial part of planning and activities over the forthcoming period.

XANADU

The **Xanadu Project** is located at the margin between the Ashburton Basin and the Pilbara Craton; an area where geological understanding and prospectivity is under active review by both the government and private sector.

Mapping and review of the Xanadu Project late in 2016 provided new insights into the geological and tectonic framework of the large, outcropping alteration system that hosts a string of smaller known gold deposits and resources (Amphitheatre, etc.).

Recognition of the regional importance of this >10km long silica and pyrite-rich alteration system led to an overhaul of the targeting strategy at Xanadu and an ongoing investigation into suitable geophysical techniques that can penetrate the upper alteration zones to see deeper potential targets that could represent the core of this gold-rich alteration system.

EVENTS SUBSEQUENT TO THE QUARTER ENDING:

CORPORATE

Research and Development

Since the end of the quarter, MRG lodged an application for registration for Research and Development (R&D) activities for the year ended 30 June 2017. MRG has received approval from the Department of Industry, Innovation and Science, Australian Government for a notional claim for R&D of approximately A\$1,550,000. This should equate to a refundable tax offset of approximately A\$674,250 upon lodgement of the Company's FY2017 income tax return.

QLD Project Update

Field work completed in June 2017 and subsequent review and analysis has facilitated in the prioritization of the portfolio. Delay in completing the update has occurred following review of Native title issues across the portfolio. The Company intends to provide a detailed update in August 2017.

New Projects and Joint Ventures

Consistent with the corporate strategy and the evolution of Sasak Predictive technology, the Company is currently reviewing a number of projects with the view to:

- 1) High grading of the portfolio;
- 2) Opportunistic acquisition of projects in minerals previously of little focus that are of current interest;
- 3) Acquisition of projects identified previously, but not previously available; and
- 4) Discussion with potential Farm In Partners on projects desirable to their portfolio.

The Company may be in a position to provide more information on these discussions in the near future, but at this point in time, none of the conversations have translated to an agreement in principle and there is no certainty that any agreement will be reached in the near term.

Andrew Van Der Zwan

Chairman and Non-Executive Director

The information in this summary report, as it relates to Exploration Results is based on information compiled and/or reviewed by Mr. Ben McCormack, who is a member of the Australasian Institute of Geoscientists (AIG).

Mr. McCormack is a Consultant to the Company and has the relevant experience with the mineralisation reported on to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr. McCormack consents to the inclusion in the report of the matters based on the information in the form and context in which they appear.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

Name of entity

MRG METALS LIMITED

ABN

83 148 938 532

Quarter ended ("current quarter")

30 June 2017

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	25	25
1.2 Payments for		
(a) exploration & evaluation	(373)	(1,222)
(b) development		
(c) production		
(d) staff costs	(82)	(366)
(e) administration and corporate costs	(42)	(538)
1.3 Dividends received (see note 3)		
1.4 Interest received	3	10
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Research and development refunds	-	552
1.8 Other (provide details if material)		
1.9 Net cash from / (used in) operating activities	(469)	(1,539)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	(1)
(b) tenements (see item 10)	-	(20)
(c) investments/government bond		
(d) other non-current assets		

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) property, plant and equipment		
	(b) tenements (see item 10)		
	(c) investments		
	(d) other non-current assets		
2.3	Cash flows from loans to other entities		
2.4	Dividends received (see note 3)		
2.5	Other (provide details if material)		
2.6	Net cash from / (used in) investing activities	-	(21)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	-	2,076
3.2	Proceeds from issue of convertible notes		
3.3	Proceeds from exercise of share options		
3.4	Transaction costs related to issues of shares, convertible notes or options		
3.5	Proceeds from borrowings		
3.6	Repayment of borrowings		
3.7	Transaction costs related to loans and borrowings		
3.8	Dividends paid		
3.9	Other (provide details if material)		
3.10	Net cash from / (used in) financing activities	-	2,076

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	1,057	72
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(469)	(1,539)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	(21)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	2,076
4.5	Effect of movement in exchange rates on cash held		
4.6	Cash and cash equivalents at end of period	588	588

5. Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1 Bank balances	20	19
5.2 Call deposits	560	1,038
5.3 Bank overdrafts		
5.4 Other (provide details)		
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	580	1,057

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

Current quarter \$A'000
87
Nil

Director Fees, Secretarial Fees, Consulting Fees, & Accounting Fees.

7. Payments to related entities of the entity and their associates

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

Current quarter \$A'000
Nil
Nil

Mining exploration entity and oil and gas exploration entity quarterly report

8. Financing facilities available

Add notes as necessary for an understanding of the position

8.1 Loan facilities

8.2 Credit standby arrangements

8.3 Other (please specify)

8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.

**Total facility amount
at quarter end
\$A'000**

**Amount drawn at
quarter end
\$A'000**

Nil

Nil

Nil

Nil

Nil

Nil

Note – Approval received during Quarter to lodge a refundable tax offset of approximately \$674,000 for Research & Development activities.

9. Estimated cash outflows for next quarter

\$A'000

9.1 Exploration and evaluation

230

9.2 Development

9.3 Production

9.4 Staff costs

80

9.5 Administration and corporate costs

60

9.6 Other (capital raising costs)

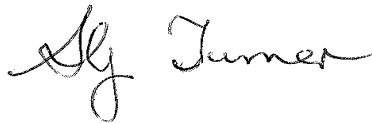
9.7 Total estimated cash outflows

370

10.	Changes in tenements (items 2.1(b) and 2.2(b) above)	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
10.1	Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced				
10.2	Interests in mining tenements and petroleum tenements acquired or increased				

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.



Sign here:

(Company secretary)

Date: 31 July 2017

Print name: SHANE TURNER

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 6: Exploration for and Evaluation of Mineral Resources and AASB 107: Statement of Cash Flows apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.