



QUARTERLY REPORT

FOR THE QUARTER ENDED 30 JUNE 2018

Highlights:

- Successfully completed Due Diligence and entered into a Binding Heads of Agreement to acquire three high potential Heavy Mineral Sands Projects (HMS) in Mozambique.
- Successfully raised AUD\$600,000 (before costs) via a share placement to sophisticated investors and retail private clients of Peak Asset Management Pty Ltd.
- Successfully completed a 58-hole bottom-till geochemistry drilling programme at Norrliden; assays pending.
- Subsequent to the end of the Quarter, MRG successfully completed maiden JORC-compliant MRE update and preliminary mine optimisation results for Norrliden.
 - 5.2Mt @ 2.1% Zn, 0.4% Cu, 0.2% Pb, 0.3g/t Au, 29g/t Ag calculated using a 1% ZnEq¹
- Subsequent to the end of the Quarter, MRG entered into a Memorandum of Understanding with an Experienced Singapore Commodities and Mining Group to Partner with MRG at Pulchera.

MOZAMBIQUE

During the quarter, MRG announced (refer ASX Announcement dated 11th April 2018) that it had entered into a binding Head of Agreement to acquire Sofala Resources Pty Ltd and Trophosys Pty Ltd and due diligence was also successfully completed during the Quarter. Subject to MRG shareholder approval, the acquisitions will see MRG holding a 100% interest in the **Corridor**, **Linhuane** and **Marao/Marucca** heavy mineral sands projects in the extensively endowed Xai Xai and Inhambane Provinces of south-east Mozambique (refer Figure1).

Following shareholder and regulatory approval and at settlement of the transaction MRG will:

- Reimburse Sofala loans (not to exceed US\$100,000).
- Issue 175,000,000 MRQ fully paid ordinary shares and 175,000,000 MRQOB options to the Sofala and Trophosys shareholders.

¹ Zinc equivalent was calculated using a zinc price of USD \$3419/tonne, a lead price of USD \$2552/tonne, a copper price of USD \$7040/tonne, a gold price of USD \$1280/oz and a silver price of USD \$17/oz. The equation is as follows:

$$\text{Zinc equivalent} = (\text{zinc (ppm)}) + (\text{lead (ppm)} \times 0.75) + (\text{copper (ppm)} \times 2.06) + (\text{gold (ppm)} \times 12068) + (\text{silver (ppm)} \times 158)$$

It is the company's opinion that the metal prices used in the metal equivalent calculations have a reasonable potential for recovery and sale based on historical metallurgical testwork (Norra) and mining (Bjurfors) from the project.

Milestone payments and timeframes:

1. Within 24 months of settlement and the achievement of a 350Mt JORC-compliant MRE (minimum THM of 5%), MRG shall issue 240,000,000 MRQ fully paid ordinary shares to Sofala and Trophosys shareholders.
2. Following completion of a positive economic scoping study across the projects combined with a MRG board decision to commence a PFS at any time after settlement or within 30 months, MRG shall issue 480,000,000 fully paid ordinary shares to Sofala and Trophosys. Further, the Sofala and Trophosys shareholders will voluntarily escrow 240,000,000 of these shares until such time that MRG achieves a market capitalisation greater than AUD\$100M for greater than 30 days or for a period of 24 months from issue, whichever occurs first. If the projects are sold at a valuation greater than AUD\$100M cash or based on consideration that is valued by an Independent Expert's Report prior to the completion of milestone 2 then all shares under milestones 1 and 2 will be issued.

Sofala has secured these highly prospective exploration projects and Sofala directors have an intimate knowledge of the mineral sands potential of Mozambique, providing Sofala and MRG with a significant first mover advantage.

- The **Corridor** Project consists of Corridor Central Exploration Licence (EL6620L) and Corridor South Exploration Licence (EL6621L) and cover 387km². These areas were drilled by Southern Mining Corporation and comprise the most advanced project within the portfolio.
Historic wide-spaced RC drilling encountered high-grade mineralisation ('total heavy mineral' THM) from surface to 90m depth over an area of 14km x 9km. Better drill intercepts included:
DHCS100: 36m @ 5.2% THM (from surface)
DHCS101: 39m @ 6.7% THM (from surface), including 12m @ 9.8% THM from 21m
DHCSEX32: 87m @ 3.62% THM (from surface to EOH), including 27m @ 6.8% THM from 39m
- The **Linhuane** Project consists of Exploration Licence Application (EL7423L) and comprises 113km² of a palaeodune adjacent to the coast that Rio Tinto undertook shallow drilling on.
This project covers a 20km strike of a prospective palaeodune system adjacent to the present coast line. Open file reports indicate that Rio Tinto conducted shallow reconnaissance exploration drilling within the Linhuane project area. Auger drill holes were reportedly 500m apart on drill traverses 3km apart and results showed continuous zones of high grade THM to depths of 10m with grades ranging 5-25% THM.
- The **Marao/Marruca** Project consists of Exploration Licence Applications (EL6842L) and (EL6846L) that cover 491km² of a palaeodune system that lies approximately 50km from the present coastline.
This project covers an ancient heavy mineral strandline and the project area was previously drilled by Rio Tinto. Open file reports show Rio Tinto undertook shallow reconnaissance exploration on a small portion of EL6842L where grades of 1.5-2.0% THM from surface to 10.5m were reportedly intercepted including 9m @ 2.85% THM. Surface mineralisation extends over a strike length of up to 7km with drill traverses completed on 1km intervals although the combined prospective palaeodune system strike length is 75km, located inland from an interpreted palaeoshoreline.

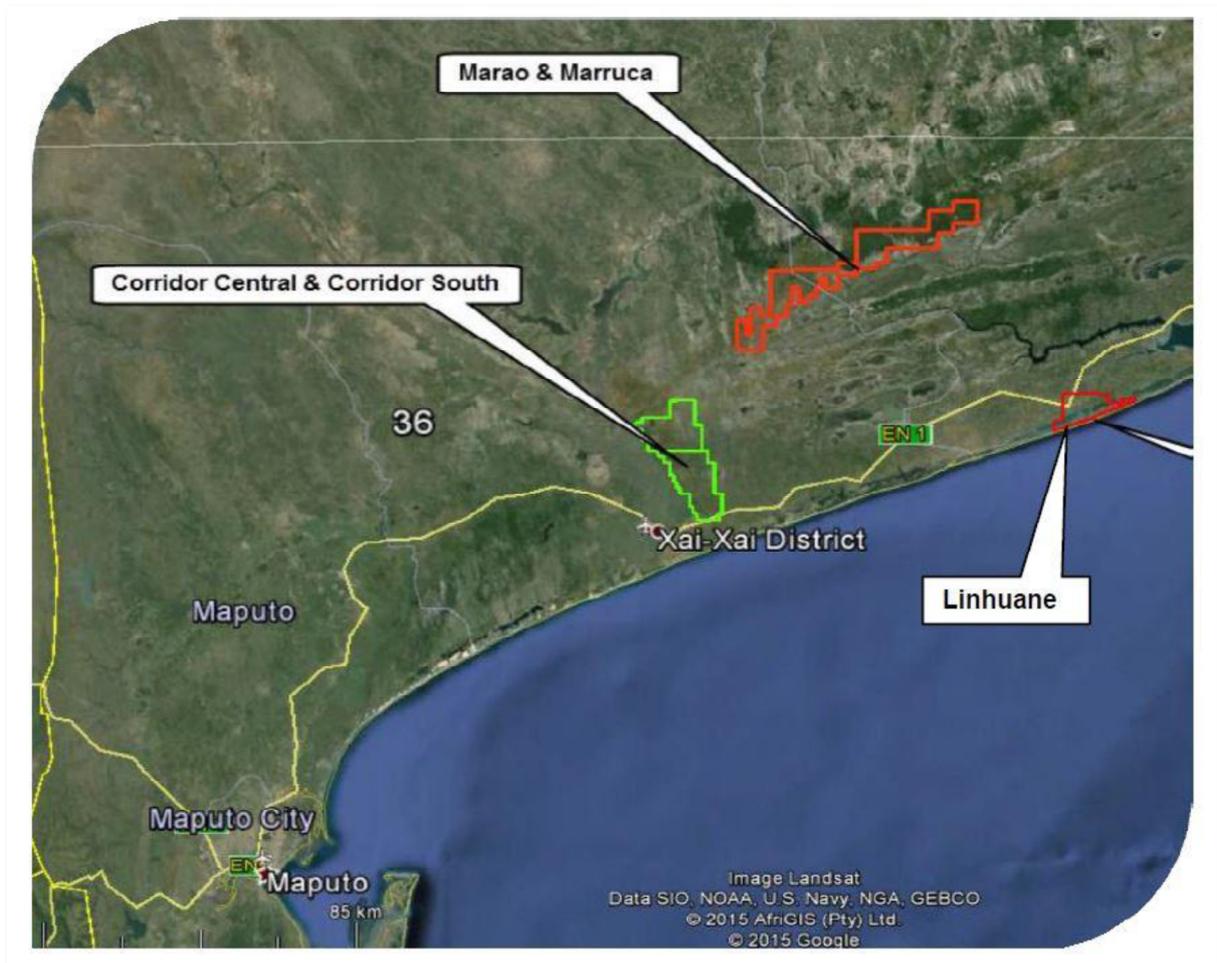


Figure 1: Location map showing the Corridor, Linhuane and Marao & Marruca HMS Projects, Mozambique.

SWEDEN NORRLIDEN FARM-IN

During the quarter, MRG has continued to advance the Norrliden Project located in the Skellefte Field of Northern Sweden through the completion of a bottom-till (BOT) geochemical drilling programme and through the commencement of the mineral resource update and preliminary mine optimisation.

BOT DRILLING

During the quarter, MRG completed a 58-hole bottom-till geochemical drilling programme at Norrliden. The drilling was designed to test the previously untested corridor between Norra and Södra westwards towards the permit boundary with S2 Resourced Ltd who have previously identified an ~800m long gold-in-soil anomaly.

The drilling utilised a drill rig with a top-hammer sampling system that systematically collected chip samples from the upper-till, bottom-till and from the bedrock with each sample averaging between 2-3kg. The bedrock samples have been logged and comprised largely mafic volcanics and the distinctive blue quartz porphyry which are seen in both the Norra and Södra drillholes. Several bedrock samples contained pyrite and chalcopyrite.

One drill traverse served as an orientation line (refer Figure 2) that passed directly over the mineralisation at Södra and at Norra; the upper-till, bottom-till and bedrock samples from this traverse have all been sent for assay using a combination of assaying techniques to determine which horizon and which assay technique works best to identify the base and precious metals mineralisation at Norrliden. Only the bedrock samples from the remaining drill traverses have been submitted for assay to date; the samples have been dispatched for assay with results expected in early August.

Once results from the bottom-till drilling have been received and reviewed MRG will prepare a new exploration plan for Norrliden including the following:

- follow-up bottom-till drilling for the 2018-2019 winter season.
- field reconnaissance mapping of the newly granted permit located to the north-northeast of Norrliden.
- follow-up diamond drilling of the EM conductor identified in a down-dip position of drillhole NOR17001 (Södra) which intercepted 8m @ 2.3g/t Au, 130g/t Ag, 0.46% Zn, 0.21% Pb from 45m.
- re-enter NOR17009 (Norra) to test the depth extensions at Norra; this hole was abandoned in November 2017 after mechanical failure of the rig just prior to the snow arriving.
- review the recently completed MRE for Bjurfors and plan follow-up diamond drilling at those deposits.

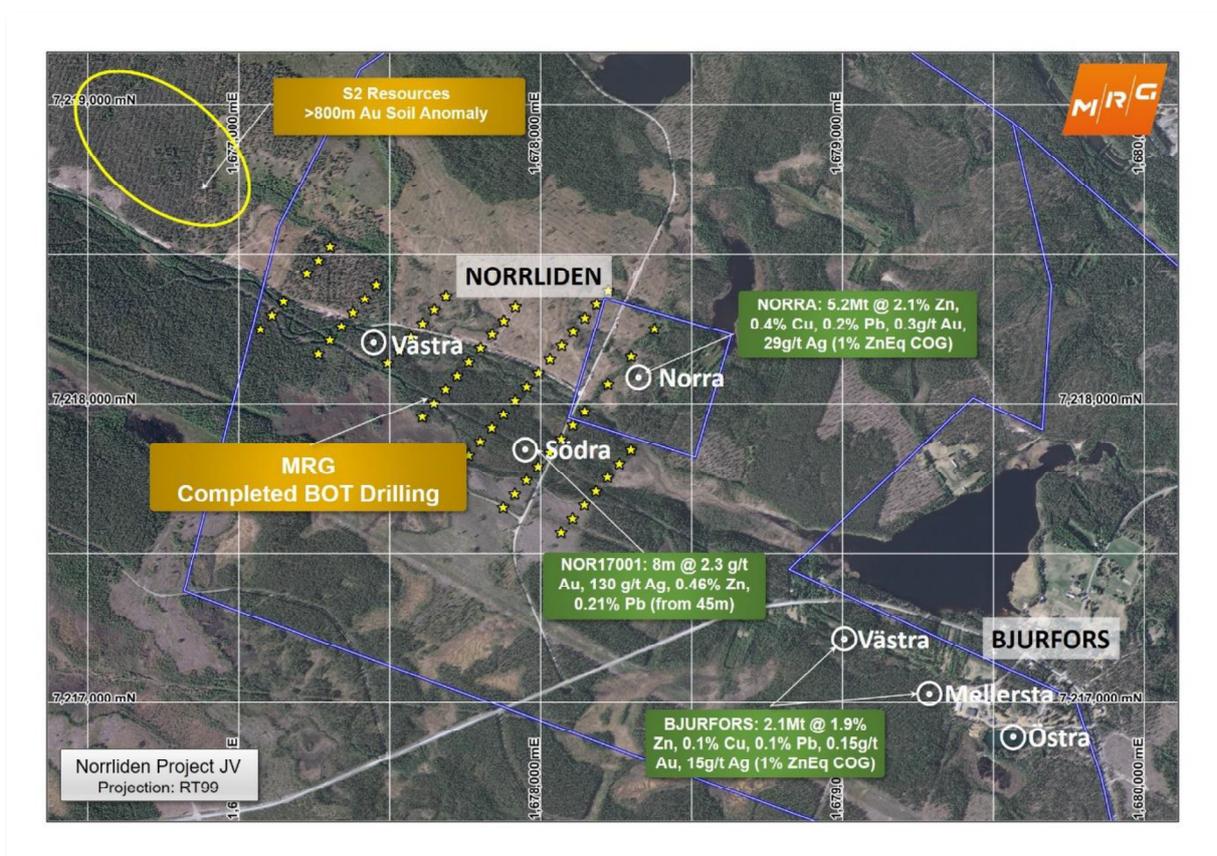


Figure 2: Location map showing the recently completed bottom-till geochemical drilling at the Norrliden Project, Sweden.



Figure 3: Photos from the recently completed bottom-till geochemical drilling at the Norrleden Project, Sweden.

AUSTRALIA XANADU

In late 2017, MRG entered into a binding Heads of Agreement with AU Resource Company Ltd ('AU Resource') to farm into MRG's Yardilla, Xanadu and Kalgoorlie East Gold Projects. The initial exploration completed as part of the Agreement comprised an orientation ground EM Survey over Yardilla project, to be followed by a similar survey of Kalgoorlie East (see below) and Xanadu.

However, the orientation survey planned over Xanadu was delayed due to the cyclone season and subsequent adverse weather. It is now due to take place during the coming quarter, accompanied by an on ground geological review. This will be followed by a combined drilling and detailed geophysical program following completion of the orientation survey.

YARDILLA

No further exploration was conducted over the Yardilla Project during the quarter. MRG is reviewing our previous exploration and is considering an auger soil sampling and subsequent drill testing of targets during the latter half of 2018.

LOONGANA

MRG has applied for extension of the main Loongana Licence, E69/3104 to enable completion of a revised exploration program over the project. MRG has re-focused exploration using a combined drilling and EM-geophysics approach with the aim to generate new targets that will be tested for intrusion-related Ni-Cu-PGE and intrusion-related Cu-Au targets beneath the thick limestone and shale cover of the Nullarbor Plain. A Program of Works has been approved for drilling of these new targets and MRG intends commencing the program during the coming year.

QUEENSLAND PROJECTS

Subsequent to the technical review into MRG's Queensland Projects during the previous quarter our ground holdings have been rationalized. The Davenport Downs Licence, (EPM 19306) was allowed to expire and the Squirrel Hills (EPM 19470) Licence was surrendered.

While the Davenport Downs Licence contained promising targets, the overlying 600+ m thick covering of Mesozoic sediments made drill-testing of these targets technically challenging and the cost of the drilling prohibitively expensive. Accordingly, drill funding will be better utilized on MRG's other projects.

Geological mapping of the Squirrel Hills Licence showed predominantly granitic rocks with limited meta-sediments of the Starcross Formation, both are considered to be unfavorable hosts for Cannington style Ag - Pb- Zn deposits. In the context of the geology and exploration model at Squirrel Hills, this significantly downgraded the prospectivity of the Project and the tenement was relinquished.

For the second half of 2018 MRG's focus will be on the Pulchra Project (EPM 19471), close to the Northern Territory – Queensland border in the southern part of the Mount Isa block.

KALGOORLIE EAST

Representatives of MRG's Farm-in partner, Au Resource Company, undertook a ground EM geophysical survey during the previous quarter and discovered two anomalies within the Kalgoorlie East tenements.

However, the anomalies are located close to the boundary of MRG's tenements and likely extend into competitors ground. Consequently, no further EM work was conducted to further explore their potential and the significance of these anomalies is presently being assessed to ascertain whether any more intensive exploration is warranted. MRG will determine whether it is justified to continue to hold the Kalgoorlie East Prospecting Licences given the associated difficulties in developing any mineralisation discovered due to the constrained nature of the tenement holdings.

EVENTS SUBSEQUENT TO THE QUARTER ENDING:

MOZAMBIQUE

Progression of formal Sale Agreements has continued. Delays have been experienced due to finalisation of the formal approval process in Mozambique. This is now defined and a pathway towards approval is understood by the parties. The parties are negotiating the final terms of the binding comprehensive agreements and MRG are hopeful to complete this in the coming month.

SWEDEN – NORRLIDEN FARM-IN

MRE & PRELIMINARY MINE OPTIMISATION

Subsequent to the end of the quarter MRG announced (refer ASX Announcement dated 13th July 2018) an updated JORC Mineral Resource Estimate (“MRE”) and preliminary mine optimisation for its Norra and Bjurfors polymetallic sulphide deposits following a review and validation of historic diamond drilling data from across the project area.

Highlights from the MRE include:

- **Norra:** 3.1Mt @ 2.3% Zn, 0.7% Cu, 0.2% Pb, 0.47g/t Au 39g/t Ag (1% ZnEq cut-off, 3.33t/m³ density)
- **Bjurfors:** 2.1Mt @ 1.9% Zn, 0.1% Cu, 0.1% Pb, 0.15g/t Au, 15g/t Ag (1% ZnEq cut-off, 3.33t/m³ density)
- **Global:** 5.2Mt @ 2.1% Zn, 0.4% Cu, 0.2% Pb, 0.3g/t Au, 29g/t Ag (1% ZnEq cut-off, 3.33t/m³ density)
- The addition of 2.1Mt of resource material extensional to the previously mined open-pit at Bjurfors deposits (Mellersta & Västra) has increased the global MRE for Norrlden, albeit diluting the global grade. A previous MRE for the Norra deposit reported in 2012 was 1.497Mt @ 4.4% Zn, 0.8% Cu, 0.4% Pb, 0.8 g/t Au, 59.9 g/t Ag (Wheeler, 2012).

Highlights from the mine optimisation include:

- **Norra:** 1.8Mt @ 4.13% ZnEq
- **Bjurfors:** 118Kt @ 5.29% ZnEq
- The optimisation analysis has demonstrated that the Norra orebody is economically robust if mined by open pit methods. Main attributes include its shallow depth, good metal grades over consistent thicknesses, sufficient mass and metallurgy which is amenable to reasonable recoveries and successful production of copper and zinc concentrates.
- The optimisation analysis has demonstrated that the Norra deposit is not significantly sensitive to price changes.
- There is also a new resource addition at Burfors deposit, where a minable pit is also possible at lower prices with the appropriate strip ratios and as long as capital investment could be kept to a minimum by running the Bjurfors deposits as satellite pits to the main processing facilities at Norra or through contract mining.
- This early stage study, with numerous go-forward risks needing to be taken into account, returned a total profit margin of US\$111M for Norra and US\$2.4M for Bjurfors.
- An underground stope development analysis was also completed for both deposits although results demonstrated that a purely open-cut operation remains the more profitable option until such time as the mineralisation at Norra can be shown to be open at depth; further deep diamond drilling is required to determine if the mineralisation at Norra is open at depth.

Resource Category	Tonnes (Mt)	Zn Grade (%)	Cu Grade (%)	Pb Grade (%)	Au Grade (g/t)	Ag Grade (g/t)
Measured	1.3	2.6	0.7	0.2	0.6	40
Indicated	1.8	2.4	0.3	0.2	0.3	30
Inferred	2.1	1.6	0.4	0.1	0.2	22
TOTAL	5.2	2.1	0.4	0.2	0.3	29

Table 1: Global MRE for the Norrlden Project. Calculated via Ordinary Kriging using a 1% ZnEq cut-off and a density of 3.33 t/m

QUEENSLAND PROJECTS PULCHERA

Subsequent to the end of the quarter MRG announced (refer ASX Announcement dated 26th July 2018) that it had entered into a Memorandum of Understanding with Singapore Commodities and Mining house Magnaver Group via its subsidiary Apollo Exploration & Mining Ltd (“Apollo”) to Partner with MRG at Pulchera.

MRG and Apollo have agreed to the following terms:

- Apollo has 60 days Due Diligence to reach a Binding Heads of Agreement
- Apollo to pay MRG AUD\$100,000 upon signing for transfer of Intellectual Property
- Exploration will be sole-funded by Apollo - AUD\$4.0M to earn 80% in 2 stages
- Upon reaching the 80% milestone Apollo, the Companies will form a Joint Venture with usual industry standard inclusions.

CORPORATE

During the quarter, MRG announced the successful completion a share and option placement raising AUD\$600,000 before costs. The placement shares (60,000,000-fully paid ordinary shares) and placement options (30,000,000-exercise price AUD\$0.01, expiring 20th December 2020) were issued pursuant to Listing Rule 7.1A and 7.1 on the 17th of April 2018.

Andrew Van Der Zwan

Chairman and Non-Executive Director

Competent Persons Statements

The information in this summary report, as it relates to Australian-based Exploration Results is based on information compiled and/or reviewed by Mr. Keith Weston, who is a member of the Australasian Institute of Mining & Metallurgy. Mr. Weston is an employee of 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. Weston consents to the inclusion in the report of the matters based on the information in the form and context in which they appear.

The information in this document that relates to Swedish-based exploration results is based on information compiled by Amanda Scott, a Competent Person who is a Member of the Australian Institute of Mining and Metallurgy (Membership No.990895). Amanda Scott is a full-time employee of Scott Geological AB. Amanda Scott has sufficient experience, which is relevant to the style of mineralisation and types of deposits under consideration and to the activity which has been undertaken to qualify as a Competent Person as defined in the 2012 edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code). Amanda Scott consents to the inclusion in the report of the matters based on her information in the form and context in which it appears.

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 2018

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		
1.2 Payments for		
(a) exploration & evaluation	(147)	(773)
(b) development		
(c) production		
(d) staff costs	(125)	(333)
(e) administration and corporate costs	(129)	(404)
1.3 Dividends received (see note 3)		
1.4 Interest received	5	10
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Research and development refunds	-	669
1.8 Other (provide details if material)		
1.9 Net cash from / (used in) operating activities	(396)	(831)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(1)	(1)
(b) tenements (see item 10)		
(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	(1)	(1)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	600	2,064
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	(51)	(95)
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	549	1,969

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	1,573	588
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(396)	(831)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(1)	(1)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	549	1,969
4.5	Effect of movement in exchange rates on cash held		
4.6	Cash and cash equivalents at end of period	1,725	1,725

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	3	6
5.2 Call deposits	1,722	1,567
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)	1,725	1,573

6. Payments to directors of the entity and their associates	Current quarter \$A'000
6.1 Aggregate amount of payments to these parties included in item 1.2	125
6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	Nil
6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2	

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

7. Payments to related entities of the entity and their associates	Current quarter \$A'000
7.1 Aggregate amount of payments to these parties included in item 1.2	Nil
7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	Nil
7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	

Mining exploration entity and oil and gas exploration entity quarterly report

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	Nil	Nil
8.2 Credit standby arrangements	Nil	Nil
8.3 Other (please specify)	Nil	Nil
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.		

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9. Estimated cash outflows for next quarter	\$A'000
9.1 Exploration and evaluation	50
9.2 Development	
9.3 Production	
9.4 Staff costs	80
9.5 Administration and corporate costs	100
9.6 Other (capital raising costs)	
9.7 Total estimated cash outflows	230

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	EPM 19470	Exploration	100%	0%
	EPM 19306	Exploration	100%	0%
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 2018

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.