



# QUARTERLY REPORT

FOR THE QUARTER ENDED 31 DECEMBER 2017

## Highlights:

- Appointed Peak Asset Management as Corporate Advisors
- Raised \$432,000 in December and commenced Rights Issue, a 1:2 issue to raise circa \$1 million additional funds
- MRG received \$0.67 million R&D refund
- Continued exploration program at Norrilden
  - Sulphide mineralisation discovered at Södra
  - 8m @ 2.3g/t Au, 130 g/t Ag, 0.46% Zn and 0.21% Pb (from 45m)
  - DHEM and FLEM surveys to identify additional targets
- AU ventures commenced Due Diligence on Yardilla
  - Further Due Diligence to occur in March
  - Including Xanadu and Kalgoorlie

## SWEDEN: NORRLIDEN

During the quarter, MRG has continued to advance the geological understanding of the Norrilden Project located in the Skellefte Field of Northern Sweden through additional diamond drilling, structural field and core mapping and through the commencement of a surface geophysics program.

### Diamond Drilling

- Södra

Assay results from the September diamond drilling at Södra were returned during the quarter; NOR17001 and NOR17006 were drilled to test the depth extent of the outcropping mineralisation sampled at surface during June 2017 and both holes intercepted zones of disseminated and banded sulphide mineralisation (pyrrhotite-pyrite-sphalerite-galena-arsenopyrite) within dominantly sericite-silica altered felsic-intermediate volcanoclastic rocks (refer Figure 1). Alteration intensity and volume of sulphide was significantly higher in NOR17001 than in NOR17006 and this is also reflected in the assay results.

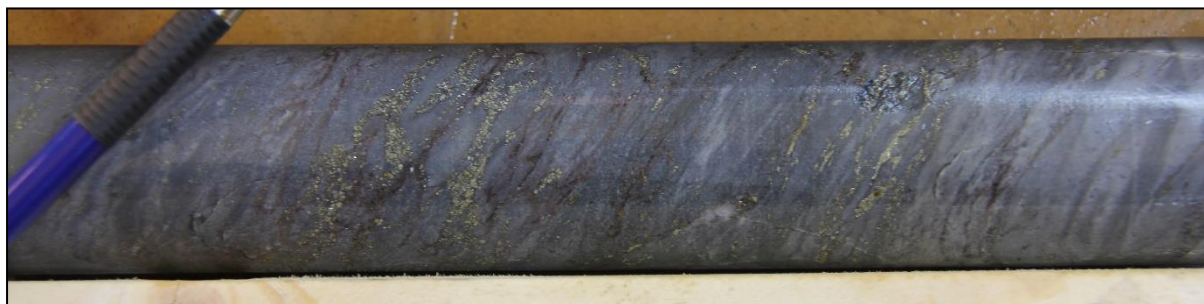
Significant intercepts included:

- NOR17001: 20m @ 1.0g/t Au, 55.3g/t Ag, 0.74% Zn and 0.22% Pb (from 45m) Inc.
  - 8m @ 2.3g/t Au, 130 g/t Ag, 0.46% Zn and 0.21% Pb (from 45m)
  - 8m @ 1.2% Zn, 0.24% Pb, 0.14 g/t Au and 4.6 g/t Ag (from 57m)
- NOR17006: 9m @ 0.31g/t Au, 1.88g/t Ag, 0.23 % Zn and 0.06% Pb (from 58m) Inc.
  - 3m @ 0.88g/t Au, 4.40g/t Ag, 0.23% Zn and 0.14% Pb (from 58m)

Whilst a broad zone of mineralisation was intercepted in NOR17001, the mineralisation is clearly zoned with an upper assemblage of gold-silver-arsenic-antimony and a lower assemblage of zinc-lead mineralisation. The sulphide mineralisation intercepted at Södra corresponds well to both the south-dipping geometry of the outcropping mineralisation and to the modelled historic electromagnetic geophysics.

A single diamond drillhole (NOR17003) was successfully completed at Södra during November; NOR17003 is located (refer Figure 2) 130m southeast of NOR17001 and was designed to test the modelled down-plunge position of the historic fixed-loop electromagnetic (EM) conductor. NOR17003 was drilled to a total depth of 201.5m and intercepted both basaltic and rhyolitic volcanoclastics. Pervasive chlorite-silica-sericite alteration within both units was coincident with visible sulphide mineralisation including pyrite, pyrrhotite, arsenopyrite and sphalerite. Assay results are expected to be returned in late January 2018.

Additional follow-up diamond drilling at Södra is currently being planned on the back of the recently completed surface EM geophysics survey; a drill rig has been booked for commencement in late March 2018.



**Figure 1:** Pyrrhotite, pyrite and sphalerite mineralisation in intensely-altered felsic volcano-sedimentary rock. NOR17001, 46.5m.

- **Norra**

A second attempt at drill testing the deeper mineralised zones within the existing Norra deposit was also made during November. NOR17009 was drilled to a depth of 158m before failure of the hydraulic system on the drill rig meant the hole had to be abandoned. It is planned to re-enter NOR17009 and continue drilling to the target depth of 275m when diamond drilling recommences at the project in March 2018.



**Figure 2:** Project location map showing drillholes and intercepts from recently completed drilling at Norrliden.

## Geophysics

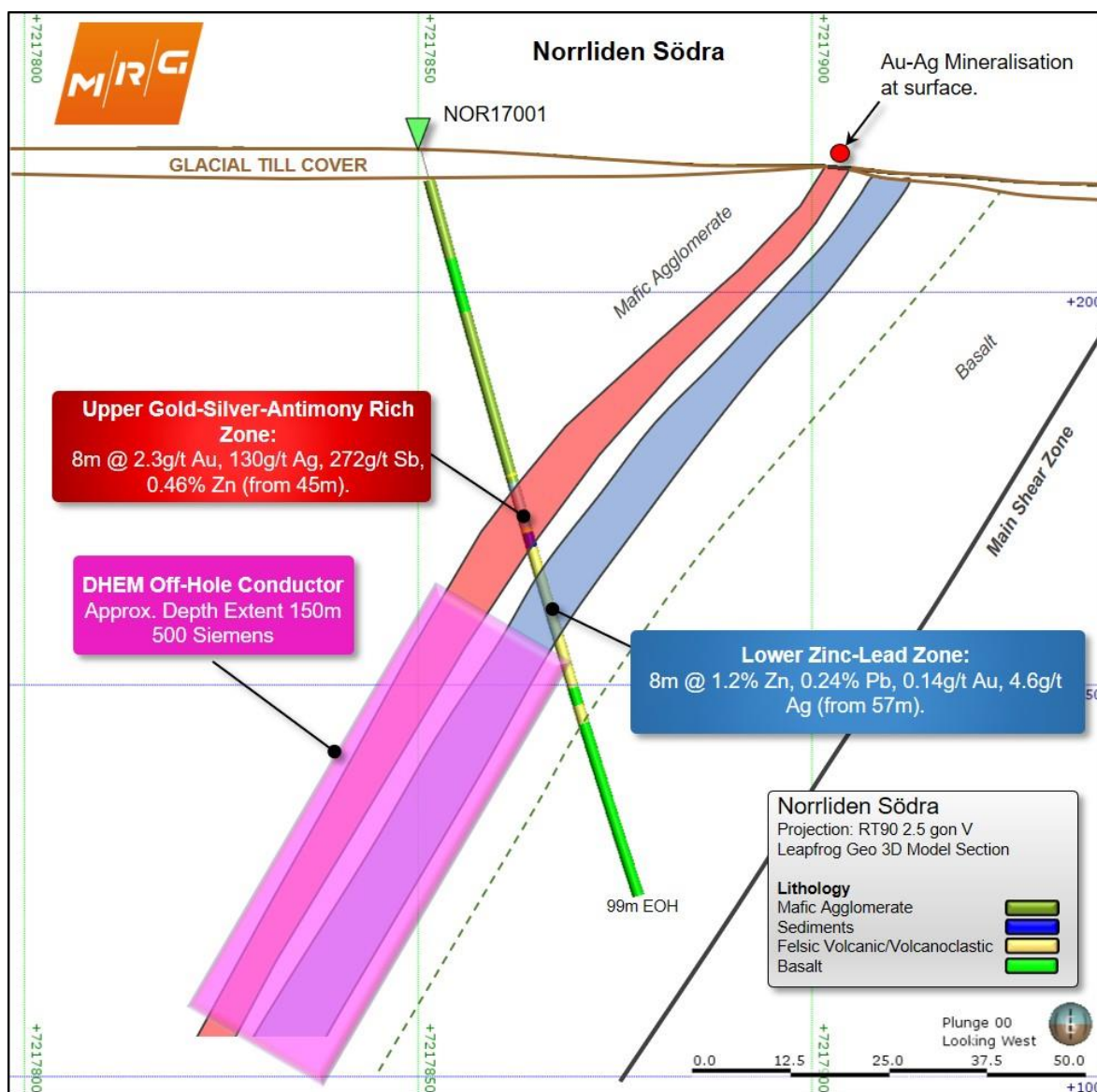
### • DHEM

NOR17001 and NOR17003 were both cased with PVC to enable downhole electromagnetic (DHEM) surveying to be completed. The DHEM was completed in late December 2017

DHEM surveying of NOR17001 was successfully completed in late December 2017 and has identified a late-time off-hole conductor (500 Siemens) at approximately 65m depth; the conductor is centered below the current hole in a down-dip position (refer Figure 3). Whilst the model is largely unconstrained given the single drillhole, the modelling suggests a depth extent of at least 150m. A single drillhole testing the off-hole EM conductor in a down-dip position has been recommended and will be completed when drilling recommences in March 2018.



The new DHEM data from NOR17001 did *not* identify a south-easterly plunge to the EM conductor identified in historic FLEM data. Nevertheless, NOR17003 has intercepted visible sulphide mineralisation in this position, yet to be assayed. A blockage at approximately 60m in NOR17003 meant that DHEM surveying in that hole was not possible.



**Figure 3:** Drillhole cross-section showing mineralised intercepts and DHEM conductor for NOR17001 at Norrliden Södra.

## • FLEM

Two separate fixed loop electromagnetic (FLEM) surveys at the project have been completed subsequent to the end of the quarter with results expected in late January at the completion of the processing and modelling of the data. The first survey was designed to test a zone of structural interest located to the west of the existing mineralisation at both Norra and Södra. The zone (Norrliden Västra) is where the main east-west shear zone intersects a cross-cutting structure that is orientated NNE/SSW.

The second survey was designed to test a coincident deep-IP and airborne GeoTEM anomaly located to the northeast of Norra at the Jungfrutjärnen prospect (refer Figure 2).

The deep-IP profile was completed by local university (LTU) researchers in 2009 and the airborne GeoTEM was completed by previous explorer North Atlantic Resources (NAN) in 1997; the identified anomalies at Jungfrutjärnen have not previously been followed-up.

## AUSTRALIA: YARDILLA

As announced to the market on 1 November 2017, MRG has entered to a binding Heads of Agreement with Au Resource Company Ltd ('Au Resource'), to farm into MRG's Yardilla and Xanadu Gold Projects. The due diligence period commenced on 10 December 2017, when representatives of Au Resource undertook a ground EM geophysical survey proximal to the prospects previously drilled by MRG on the Project.

Four anomalies were identified during the survey. The first anomaly lies within recently granted tenement E28/2678 and has not been tested by any previous drilling. Anomaly 2 is immediately to west of drill hole YRRC006, while Anomaly 3 lies just to the north of MRG's drilling at the Ommaney Prospect. The fourth EM anomaly is coincident with the aeromagnetic anomaly at Hampshire prospect. The previous diamond drill hole at the Hampshire Prospect, YRDH001C appears to have adequately tested the geophysical feature.

The anomalous EM responses delineated by the EM survey are close to hole YRRC006 and several of the previous holes at the Ommaney Prospect, but offset from the zones that were drill tested.

MRG is assessing the significance of these geophysical responses in light of our previous drill results and will consider the feasibility of future drill testing during the latter half of 2018, along with the new target discovered in E28/2678.

### *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. In addition to the original 3 licences over the project, MRG recently applied for additional ground, based upon the identification of further prospective positions using the Sasak Technology. This has increased our land holdings, a further 8 licences, cover 450 square kilometres, were granted during the quarter covering prospective lithology identified from structural and geochemical analysis utilising the Technology.

MRG has entered into a binding Heads of Agreement with Chinese based resource company, Au Resource Company Ltd, to farm into MRG's Yardilla & Xanadu Gold Projects. Au Resources Company will acquire an interest in these projects by meeting certain exploration expenditures as outlined in the ASX release of 1 November 2017.

## LOONGANA

MRG finalised a major technical review of its Loongana Project in September 2017 and the results of this study have resulted in a revised exploration program for the project. The findings of the review have led MRG to re-focus exploration toward using a combined drilling and EM-geophysics approach to discovery of intrusion-related Ni-Cu-PGE and intrusion-related Cu-Au targets beneath the limestone cover of the Nullarbor Plain. A Program of Works has been approved for drilling of these new targets during 2018.

## XANADU

Like the Yardilla Gold Project, Xanadu is subject to the Farm in Agreement with Au Resource Company. The initial ground EM geophysical survey planned for late 2017 was delayed due to

the onset of the cyclone season. The survey and accompanying on ground geological review will now take place in early 2018. A combined drilling and geophysical program is proposed for late in the year following completion of the ground EM survey.

### KALGOORLIE EAST

At Kalgoorlie East MRG holds 4 small prospecting licences, remnants of a larger project area. Although MRG conducted extensive exploration over the Project, we were unable to delineate a JORC resource over any of the licences and apply for a retention licence. Similarly, the current state of our knowledge does not allow for the identification of any area suitable for a mining licence application and the inherent increased costs associated with mining licences. Due to the age of the licences MRG were unable to maintain our tenure under the provisions of the *Mining Act* and as such two of the licences ceased during December 2017, leaving P26/4015 & P26/4016 as the remaining licences on this project.

### QUEENSLAND PROJECTS

No on ground exploration was conducted over the Queensland Projects during the quarter. The technical review completed in late 2017 has led to the development of future exploration plans that will be reviewed and prioritized against the current and potential new projects in the 2018 field season.

### EVENTS SUBSEQUENT TO THE QUARTER ENDING:

#### SWEDEN: NORRLIDEN

##### Mineral Resource Estimate (MRE)

During the current quarter an update to the existing (2004) mineral resource estimate (MRE) for the Norra deposit will be initiated with results expected in late February. Metal prices, in particular zinc, have increased significantly since the last MRE and high-level optimisation was completed in 2004 by previous explorers, who used a MRE for Norra of 1.497Mt @ 4.4% Zn, 0.8% Cu, 0.4% Pb, 0.8 g/t Au, 59.9 g/t Ag.

During the quarter MRG also completed a new structural interpretation across the project including the mineralisation at Norra. The new structural interpretation will be incorporated into the new MRE. Once the MRE has been completed a decision will be made as to whether a high-level mining study will be warranted. The Norrliden deposit is located within a **granted mining concession** which would likely shorten the pathway to future production at Norrliden if positive MRE and optimisation results are received in due course and similarly if the Company can build on the existing resource base through expansion of the current Norra resource and/or through an economic discovery at Södra or elsewhere within the project area in the short to medium term.

##### Database Compilation & Validation

Exploration in the Norrliden area has been carried out over a period of approximately 100 years and as such there exists a substantial amount of historic exploration data in various formats and qualities. During the quarter MRG completed the process of digitising, compiling and validating the historic data across all prospects within the Norrliden project area. The final database has been delivered to MRG subsequent to the end of the quarter and will now be used as part of MRE update during the current quarter.

#### FLEM

Two separate fixed loop electromagnetic (FLEM) surveys at the project have been completed subsequent to the end of the quarter with results expected in late January at the completion of the processing and modelling of the data. The first survey was designed to test a zone of

structural interest located to the west of the existing mineralisation at both Norra and Södra. The zone (Norrliden Västra) is where the main east-west shear zone intersects a cross-cutting structure that is orientated NNE/SSW. The second survey was designed to test a coincident deep-IP and airborne GeoTEM anomaly located to the northeast of Norra at the Jungfrutjärnen prospect (refer Figure 2).

## CORPORATE

- 20 October, MRG received an R&D refund of A\$669,271.
- 13 December, MRG successfully placed 80 million shares and raised \$432,000 before costs.
- 13 December, MRG announced appointment of Peak Asset Management as Corporate Advisor and commenced pursuit of new opportunities.
- 19 December, MRG announced a non-renounceable entitlement offer of 1 new share for every existing share, with a free attaching 2020 1c option issued with every new share.
- 25 January, MRG announced completion of rights issue, with the successful placement of shortfall to raise circa \$1 million before costs.
- 25 January, shares and options were issued from the entitlement offer.
  - Resulting Capital structure at 25 January:
    - 601,169,639 Shares
    - 200,389,880 20 December, 2020 \$0.01 Options
    - 72,978,404 31 August, 2020 \$0.15 Options

MRG appreciates the Australian Governments' continued support for the R&D Tax incentive scheme, which provides valuable financial assistance to companies such as MRG, undertaking innovative and technically challenging research.

MRG welcomes the support from new and existing Shareholders that have enabled the Company to raise \$1.4 million, before costs. The Company is now funded to pursue new opportunities.

### 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")

31 December 2017

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6months) \$A'000
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers		
1.2 Payments for		
(a) exploration & evaluation	(315)	(499)
(b) development		
(c) production		
(d) staff costs	(83)	(166)
(e) administration and corporate costs	(122)	(177)
1.3 Dividends received (see note 3)		
1.4 Interest received	1	2
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Research and development refunds	669	669
1.8 Other (provide details if material)		
<b>1.9 Net cash from / (used in) operating activities</b>	<b>150</b>	<b>(171)</b>

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



<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (6months) \$A'000</b>
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)		
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>-</b>	<b>-</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of shares	432	432
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	(26)	(26)
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)		
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>406</b>	<b>406</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	267	588
4.2	Net cash from / (used in) operating activities (item 1.9 above)	150	(171)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	-
4.4	Net cash from / (used in) financing activities (item 3.10 above)	406	406
4.5	Effect of movement in exchange rates on cash held		
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>823</b>	<b>823</b>

<b>5. Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1 Bank balances	9	25
5.2 Call deposits	814	242
5.3 Bank overdrafts		
5.4 Other (provide details)		
<b>5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>823</b>	<b>267</b>

**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**

90

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

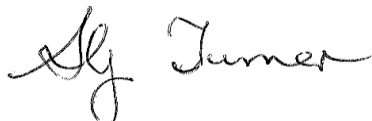
<b>8. Financing facilities available</b> <i>Add notes as necessary for an understanding of the position</i>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
8.1 Loan facilities	Nil	Nil
8.2 Credit standby arrangements	Nil	Nil
8.3 Other (please specify)	Nil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

<b>9. Estimated cash outflows for next quarter</b>	<b>\$A'000</b>
9.1 Exploration and evaluation	160
9.2 Development	
9.3 Production	
9.4 Staff costs	40
9.5 Administration and corporate costs	80
9.6 Other (capital raising costs)	
<b>9.7 Total estimated cash outflows</b>	<b>280</b>

<b>10. Changes in tenements (items 2.1(b) and 2.2(b) above)</b>	<b>Tenement reference and location</b>	<b>Nature of interest</b>	<b>Interest at beginning of quarter</b>	<b>Interest at end of quarter</b>
10.1 Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced	Kalgoorlie East P26/3963 P26/3954	Prospecting	100% 100%	0% 0%
10.2 Interests in mining tenements and petroleum tenements acquired or increased	Yardilla E28/2669 E28/2670 E28/2671 E28/2672 E28/2673 E28/2674 E28/2678 E63/1837	Exploration	0% 0% 0% 0% 0% 0% 0% 0%	Granted 100% 100% 100% 100% 100% 100% 100%

### **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: 30 January 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.