



QUARTERLY REPORT

FOR THE QUARTER ENDED 30 SEPTEMBER 2018

Highlights:

- MRG reported the results of the bottom of till (BOT) drilling which was completed at the Norrliden Project in Sweden.
- MRG successfully reached the first earn-in milestone of US\$500,000 expenditure to earn 10% of the Norrliden Project.
- MRG and joint venture partner Mandalay Resources Corporation commenced an agreed process to pursue the potential sale of the Norrliden Project.
- MRG signed a Heads of Agreement with Au Resource Company Ltd to commence due diligence on MRG's Oban, Mt Angelay, Selwyn and Kamileroi projects located in Queensland.
- MRG signed a MOU with the Magnaver Group and related subsidiary Apollo Exploration and Mining Ltd to farm-in to MRG's Pulchera Project in Queensland.
- MRG extended the due diligence period to Magnaver Group and related subsidiary Apollo Exploration and Mining Ltd to farm-in to MRG's Pulchera Project in Queensland.
- MRG ceased negotiations with Sofala and Trophosys for the acquisition of Heavy Mineral Sands (HMS) projects in Mozambique. MRG received a Writ of Summons in relation to this proposed transaction.

SWEDEN

NORRLIDEN FARM-IN

BOT DRILLING

During the Quarter (refer ASX release dated 14 September 2018) MRG announced the results of the bottom of till (BOT) drilling at the Norrliden Project in Sweden. Late in the northern hemisphere winter MRG completed a 58-hole bottom-till geochemical drilling programme at Norrliden. The drilling was designed to test the previously untested structural corridor between Norra and Södra westwards towards the permit boundary with S2 Resources Ltd who had previously identified an ~800m long gold-in-soil anomaly.

Assay results from the BOT drilling were received after a lengthy delay at the laboratory during the summer vacation period in Sweden. Although the upper-till, bottom-till and bedrock samples were collected during the drilling only the bedrock samples have been submitted for assay to date.

The BOT drilling successfully identified the Södra mineralised trend (refer Figure 1) across at least four drill traverses for a total strike length of ~650m; this mineralised trend is anomalous in Au, Ag, As, Pb, Zn and S. The western end of the Södra trend was inadequately tested due to a swamp restricting rig access but the westernmost traverse did pick up multi-element anomalism across the interpreted structure.

In addition to the Södra mineralised trend anomaly, the BOT drilling also identified three single-point, multi-element anomalies (refer Figure 1). One anomaly lies immediately due west of the Norra deposit, one lies on the northern end of the western-most traverse and the third is located at the southern end of the orientation line. All three single-point anomalies showed elevated levels of Au, Ag, As, Pb, Zn and S and have been recommended for follow-up drilling in due course.

A single drill traverse served as an orientation line that passed directly over the known mineralisation at Södra and at Norra. On the orientation line, the upper-till, bottom-till and bedrock samples were assayed using a combination of assaying methods (Four-acid, Aqua Regia, Ionic Leach) to determine which horizon and which assay technique works best to identify the base and precious metals mineralisation at Norrliden. Pleasingly, the mineralisation at Norra was easily identified in all fractions and in all assay methods, albeit in a single drillhole. The peak assays for this single drillhole were:

- Four-acid Bedrock: 0.95% Cu, 0.05g/t Au, 4.23g/t Ag, 119.5ppm As, 23.9ppm Pb, 374ppm Zn and 8.6% S.
- Aqua Regia Bedrock: 0.93% Cu, 0.05g/t Au, 4.21g/t Ag, 133ppm As, 22.8ppm Pb, 365ppm Zn and 9% S.
- Aqua Regia Upper-Till: 0.92% Cu, 0.16g/t Au, 5.63g/t Ag, 138.5ppm As, 27.2ppm Pb, 152ppm Zn and 5.01% S.
- Ionic Leach Upper-Till: 98400ppb Cu, 27.3ppb Au, 4.2ppb Ag, 32.2ppb As, 9.1ppb Pb, and 40ppb Zn.

Whilst the anomalies generated through this first phase of BOT reconnaissance drilling still need to be followed-up with additional drilling, BOT does appear to be an effective screening method in a glaciated terrain. The orientation line data has provided valuable information and shows bedrock samples appear to be the most consistent medium although the most anomalous samples generally appeared to be anomalous across all three sample horizons. MRG is looking forward to utilising this drilling technique across wider areas of the project to delineate additional anomalies for follow-up.

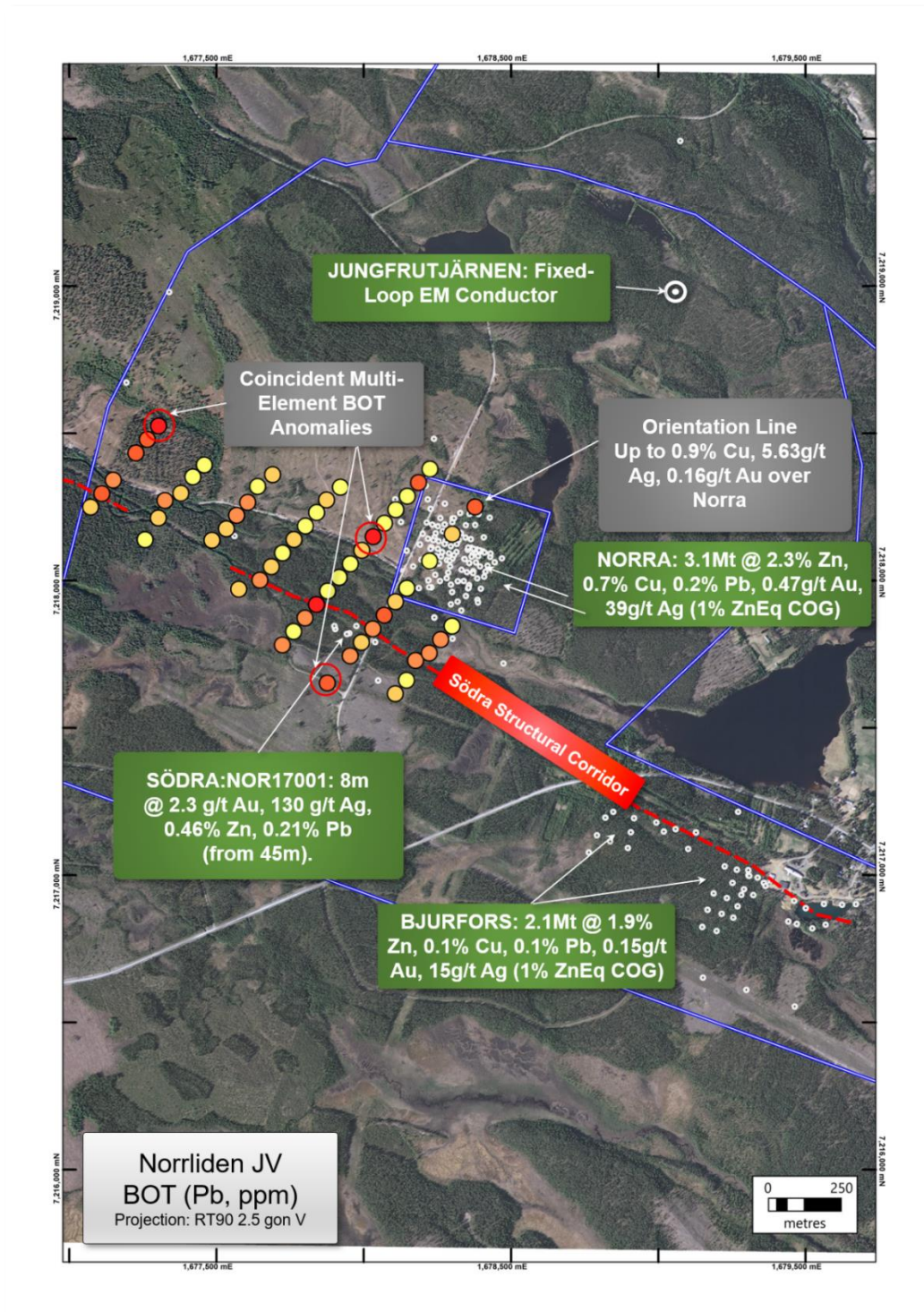


Figure 1: Location map showing the recently completed bottom-till geochemical drilling at the Norrleden Project, Sweden.

PHASE 1 COMPLETION & ASSET SALE

During the Quarter MRG announced that it had reached the 1st earn-in milestone of US\$500,000 expenditure to earn 10% of the Norrleden Project consequently completing Phase 1 of the Joint Venture Agreement with Mandalay Resources Corporation (Mandalay). A summary of the exploration completed during Phase 1 can be found in the amended ASX release dated 26 September 2018.

Mandalay also advised MRG during the Quarter that it has commenced a sales process for the

Norrliden Project. MRG is cooperating and assisting Mandalay with this process while continuing the preparation of plans for Phase 2 Exploration, a summary of which follows below.

- **Norra**
 - Re-enter NOR17009 to test the depth extensions at Norra.
- **Södra**
 - Follow-up diamond drilling to test extensions of Södra including drill testing of an EM conductor identified in a down-dip position of drillhole NOR17001 which intercepted 8m @ 2.3g/t Au, 130g/t Ag, 0.46% Zn, 0.21% Pb from 45m¹.
 - Extensional drilling at Södra along strike both east towards Bjurfors and west along the mineralised trend identified in the BOT drilling.
- **Bjurfors**
 - Review the recently completed MRE for Bjurfors and plan follow-up diamond drilling to test strike and dip extensions of these deposits.
- **Jungfrutjärnen**
 - Drill test the fixed-loop EM conductors identified at Jungfrutjärnen located northeast of Norra.
- **Regional Exploration**
 - Follow-up reconnaissance drilling of the four anomalies identified in the BOT drilling and the 1.5km structural corridor between Södra and Bjurfors.
 - Carry-out reconnaissance mapping of the recently granted permit located northeast of Norrliden to generate further drill targets.

AUSTRALIA QUEENSLAND PROJECTS

On the 26 July 2018 MRG announced that it and Singapore based Magnaver Group (through its exploration & Mining related subsidiary “Apollo Exploration & Mining Ltd (‘Apollo’)” have entered into a Memorandum of Understanding (MOU) for Apollo to farm-in to MRG’s Pulchra Project (EPM19471) in Queensland. The following key terms were agreed between the parties:

- 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 to be sole-funded by Apollo to AUD\$4.0M to earn 80% in 2 stages;
- Upon Apollo reaching the 80% milestone, the Companies will form a Joint Venture

On the 19 September 2018 MRG announced that the terms of the MOU had been modified to allow Apollo and additional 30 days to complete the Due Diligence.

On the 19 September 2018 MRG also announced that it had entered into a binding Heads of Agreement (HOA) with Au Resource Company Limited (“Au”) whereby Au will commence Due Diligence on MRG’s remaining projects in Queensland including Oban, Mt Angelay, Selwyn and Kamileroi. The Xanadu project remains subject to deferred Due Diligence under the original HOA (refer ASX release dated 1 November 2017) pending Au being able to coordinate Due Diligence specific to Xanadu in early 2019.

The following key terms were agreed between the parties:

- Au, 15% earn-in after \$250,000 sole expenditure within 12 months;
- Au, to 40% earn-in after cumulative \$1,000,000 sole expenditure OR the total amount of measured, indicated and inferred gold resource calculated according to the JORC standards to 100,000 ounces in the Project Area within 24 months;

¹ Please refer to ASX release dated 9 November 2017.

- Au, to 60% earn-in after cumulative \$2,000,000 sole expenditure OR the total amount of measured, indicated and inferred gold resource calculated according to the JORC standards to 200,000 ounces in the Project Area within 36 months;
- Upon Au reaching the 60% milestone, the Companies will form a Joint Venture;
- Au shall maintain the right but not the obligation to sole fund from 60% to 90%, via equity earn in at the rate of sole expenditure of \$1.5 million per 5% equity.

XANADU

MRG entered into a binding Heads of Agreement with Au Resource Company Ltd to farm into MRG's Xanadu Project in late 2017, subject to successful Due Diligence by Au. At this stage, Au is planning to complete its Due Diligence in early 2019.

The orientation survey planned over Xanadu by Au as part on their Due Diligence was delayed due to weather and personnel resourcing issues and will take place as soon as practicable when Au technical staff are available to complete the on ground geophysical survey.

YARDILLA

During the Quarter, MRG commenced preliminary discussions with a potential Joint Venture partner, who is undergoing a regional analysis, which if favourable will open-up dialogue for a potential Farm-In Agreement.

LOONGANA

MRG has applied for extension of the main Loongana Licence, E69/3104 to enable completion of a revised exploration program over the project. Drilling at Loongana has been planned for 2019 subject to funding.

KALGOORLIE EAST

No exploration was conducted on the project during the quarter. MRG is presently reviewing the Project to decide whether to continue to hold the Kalgoorlie East Prospecting Licences.

MOZAMBIQUE

In April 2018, MRG entered into a Heads of Agreement (HOA) to acquire Trophosys Pty Ltd (Trophosys), which held the rights to acquire Sofala Resources Pty Ltd (Sofala), the ultimate owner of the HMS Project, and to acquire the shares in Sofala at the same time (Proposed Acquisition).

Completion of the Proposed Acquisition under the HOA were subject to satisfaction of due diligence on the HMS Project and other conditions including, MRG obtaining all necessary MRG board and shareholder approvals and ASX approvals as announced in April 2018.

Throughout the period from April 2018 to end June 2018, MRG worked with Sofala and Trophosys with a view to achieving these conditions, however these conditions were not able to be met nor waived by the expiry date of end June 2018 under the terms of the HOA. Specifically, the structure for the milestone payments was required to be revised in order to address the ASX regulatory requirements. Additionally, there were specific Mozambique regulatory requirements for MRG to acquire effective legal ownership of the HMS Project in Mozambique.

Following the expiry of the HOA, the three (3) parties involved in the transaction, being MRG, Trophosys and Sofala, continued to negotiate in good faith new agreements to undertake the transaction for MRG to acquire the HMS Project via acquisition of Sofala and Trophosys. MRG proceeded with such negotiations in the reasonable expectation that the parties would reach a new agreement substantively reflective of the same fundamental commercial terms

set forth in the HOA, with necessary amendments to the structure and timing of the transaction in order to address Mozambique regulatory requirements for MRG to acquire effective legal ownership of the HMS Project in Mozambique and the structure for the milestone payments, which was subsequently agreed to by the parties and approved by the ASX. Such revisions were reasonable and appropriate under all the circumstances of a transaction of this nature, more importantly were considered by the MRG Board to be in the interest of its shareholders. Having regards to continued negotiations between the parties following the expiry of the HOA and the apparent intentions of the parties to proceed on that basis, MRG did not consider, at the time, the expiry of the original HOA as materially impacting the prospects of the transaction ultimately proceeding.

The good faith negotiations continued and in late July 2018 the three parties convened, following which new agreements were prepared by MRG to reflect the in-principle agreement on the form and structure of the transactions for the Proposed Acquisition. As the form and structure of the new agreements were based around the same form and structure proposed by Trophosys during the meeting, MRG was led to believe that an in-principle agreement was reached between the parties and that the Proposed Acquisition would proceed to completion in September 2018.

MRG provided these drafts of new agreements to Trophosys and Sofala for review. At or around this time, the major shareholder of Trophosys suffered a health incident and was hospitalised, which further delayed the negotiations and review by the parties of the new agreements.

On 15 August 2018 Trophosys notified MRG that it did not agree to the form and structure of the new agreements for the transaction – this is despite such agreements being drafted by MRG to reflect the form and structure that had been agreed to in-principle by the parties in late July 2018.

In a final effort to consummate the Proposed Acquisition, MRG subsequently proposed to Trophosys that the parties re-convene to negotiate in good faith and use their best endeavours, to finalise the terms of the new agreements for the transaction and provided Trophosys with the opportunity to accept this negotiation proposal by Friday 24 August 2018.

On the 27 August 2018 MRG advised the market that Trophosys had given notification that it had filed a Writ of Summons in the Supreme Court of Western Australia seeking orders to restrain MRG from entering into direct negotiations with Sofala. MRG received notice of the filing of the Writ on the evening of Friday 24 August 2018 at which time MRG had not yet been able to advise Sofala of its intentions to commence negotiations on new agreements and was subsequently notified by Sofala that it did not wish to entertain any such negotiations. MRG nevertheless disputes the basis for the Writ filed by Trophosys and has, in good faith, throughout the course of the negotiations looked for ways for the three parties (MRG, Trophosys, Sofala) to finalise an agreement to each other's mutual satisfaction.

As a consequence of the Writ being issued and Sofala notifying MRG of its intentions to not engage in any further negotiations, MRG has determined that the period of good faith negotiations between the parties to consummate a transaction in accordance with the commercial terms reflected in the original HOA has come to an end.

NEW PROJECT OPPORTUNITIES

During the quarter and since the end of the quarter, MRG has reviewed many New Project opportunities to find a significant New Project to advance the Company.

CORPORATE

There were no capital raisings during the quarter.

SUBSEQUENT TO END OF QUARTER

The Norrliden data room has been opened to potential Purchasers of the Norrliden Project.

The period of Due Diligence by Apollo on the Pulchera Project ended without Apollo doing sufficient work to complete the Due Diligence. A further request to a further extension was not granted MRG is pursuing opportunities with other interested parties.

Monday 28th of October MRG was placed into a Trading Halt, then Voluntary Suspension to enable completion of formal documents to acquire a New Significant Project.

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 September 2018

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers		
1.2 Payments for		
(a) exploration & evaluation	(59)	(59)
(b) development		
(c) production		
(d) staff costs	(53)	(53)
(e) administration and corporate costs	(87)	(87)
1.3 Dividends received (see note 3)		
1.4 Interest received	5	5
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Research and development refunds		
1.8 Other (provide details if material)		
1.9 Net cash from / (used in) operating activities	(194)	(194)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment		
(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 (3months) \$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	-	-

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares		
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	-	-

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	1,725	1,725
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(194)	(194)
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)	-	-
4.5	Effect of movement in exchange rates on cash held		
4.6	Cash and cash equivalents at end of period	1,531	1,531

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	6	3
5.2 Call deposits	1,525	1,722
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)	1,531	1,725

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
76
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

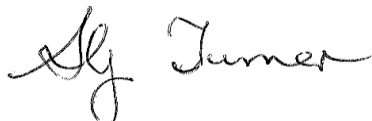
8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	Nil	Nil
8.2 Credit standby arrangements	Nil	Nil
8.3 Other (please specify)	Nil	Nil
8.4 Include below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

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				
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 October 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.